

# The **DISAM** **Journal**

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of International Security Assistance Management

## The Way Forward



## Improving Performance

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# THE DISAM JOURNAL OF INTERNATIONAL SECURITY ASSISTANCE MANAGEMENT

*A few years ago DISAM decided to actively solicit more articles on process improvement for publication in the Journal. We have had a few articles over those years, but I am proud of this edition as we feature process improvement throughout the Security Assistance/Cooperation environments of the Defense Security Cooperation Agency as well as and each of the Services. The section is kicked off by Ms. Freda Lodge the new Chief Performance Officer at DSCA. There are a number of projects she mentions in her article, along with additional articles from the DSCA perspective. Each Service provides details of their individual efforts, and their effective dialogue will pay greater dividends “as the word is spread.”*

*In the interest of spreading the word, I would be remiss if I did not particularly key in on the Tri-Service Conference that the Air Force Security Assistance Center is hosting in Covington, Kentucky (Cincinnati area) on 2-5 November 2009. Check out the draft agenda, most current as we went to press – you do not want to miss it!*

*The Legislation and Policy section has thirteen different articles stretching the bounds of Export Controls to Peacekeeping to QDR. Within the Security Cooperation Community, note also the change of commands at EUCOM (new Commander, ADM Stavridis) who came from SOUTHCOM (now commanded by General Fraser). Furthermore, note the variety in the other articles that really get into the nuts and bolts of Security Cooperation including the Army doctrinal approach to implementing Security Force Assistance.*

*The Perspectives section with its eleven articles highlights a number of policy and country issues that also reflects the diversity of the world (venues and programs) of Security Cooperation. Finally, in the Education and Training section, still more on how that venue furthers the SA/SC effort.*

*I need to particularly highlight the article by DISAM’s William “Bill” Rimpo covering DISAM’s ever-expanding distance learning/on-line opportunities. As Ms. Lodge’s article depicts, DISAM is in the thick of it within an even larger effort to ensure our Security Cooperation workforce has the needed skills – developed in the context of the right level of education and training, and mixed with documented experience. In the coming days and months, DISAM will be dialoguing with you – all our constituents to validate who has been/is being trained. Looking at the appropriate level and methodology to get it done (i.e. everyone doesn’t need to come to a 2-3 week basic DISAM course in residence). Expect more to follow in the next edition of the DISAM Journal, but more so, expect us to reach out to you so that we know what is missing in terms of both student throughput and course curriculum content.*

*As always, thank you for the part you play in making the DISAM Journal a viable publication via your readership, but also your partnership in providing meaningful articles to the community. More than ever before, you are coming to us with articles to publish (vice us having to very actively solicit them from you). Keep them coming!*



RONALD H. REYNOLDS  
Commandant



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# ***THE DISAM JOURNAL***

***of International Security Assistance Management***

***Volume 31 No. 3***

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# FEATURE ARTICLES

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## **The Way Forward: Improving Performance**

**By**

**Freda J. Lodge**

**Chief Performance Officer, Defense Security Cooperation Agency**

### **The Changing Security Cooperation Landscape**

Our community has performed traditional security assistance responsibilities for many decades. More recently, additional security cooperation programs have been added to our community portfolio—to include management of these programs in operational environments such as Iraq and Afghanistan. The last several years have brought an unprecedented high level of foreign military sales (FMS), from previous annual levels averaging between approximately \$8 billion and \$12 billion to a fiscal year (FY) 2009 level close to \$40 billion. “That is a staggering 500 percent growth!” says Vice Admiral Jeffrey Wieringa, Director of the Defense Security Cooperation Agency (DSCA).

This changing landscape presents many challenges to our security cooperation community—and requires responsive changes by our 7000-plus person workforce and innovative changes to our Information Technology (IT) systems.

### **How are we meeting these challenges?**

The series of seven articles in this section addresses some of the changes and improvements that the security cooperation community is initiating in response to this new landscape. This article presents an overview of some of these high-level, global changes.

The next three articles discuss IT initiatives developed in response to the changing landscape:

- The Security Cooperation Enterprise Solution (SCES)
- The Enhanced Freight Tracking System (EFTS)
- The Security Cooperation Management Suite (SCMS). SCMS presents a common operating picture for those working to achieve security cooperation objectives within operational environments

The military department (MILDEP) articles to follow, describe several Continuous Process Improvements (CPI) initiatives using Lean Six Sigma or other approaches. Some of these are ideal sources for lessons-learned and for sharing of “best practices.”

Concluding this section is the announcement of the Air Force-hosted Security Cooperation Tri-Service Conference in Covington, Kentucky (near Cincinnati, Ohio) on 3-5 November 2009. We hope that many of you can join us at that forum to continue the discussions on the changing landscape and our security cooperation community response.

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## The Global Security Cooperation Offices Review

The Global Security Cooperation Offices (SCOs) Review is designed to determine the optimal staffing requirements of security cooperation offices worldwide. DSCA is contracting for a global assessment designed to respond to evolving demands throughout the security cooperation community. The objective of this review is to determine the optimal staffing requirements for each SCO assigned to the six geographic combatant commands (GCCs). This review architecture will be based upon the key functions and mission essential task lists that each SCO is required to perform and the measured level of activity required to satisfactorily accomplish each of those tasks.

The review will propose reallocation of existing staffing to meet current requirements for all SCOs and identify the number of additional positions required for SCOs determined to be currently understaffed. The review will also, where possible, propose alternative staffing strategies to more effectively and efficiently manage existing core tasks or available staffing (such as regionalization or theater surge capabilities). The ultimate goal is to evaluate staffing and missions to assist our community in synchronizing its efforts with those of the GCCs. This is the first time a global review has been conducted.

### New Federal Performance Agenda

Identifying high-priority performance goals is at the top of the Obama Administration's management agenda. At an April 20, 2009 Cabinet meeting at the White House, President Obama challenged each agency head to improve performance and to find efficiencies.

Reflecting this emphasis on performance, the new federal Chief Performance Officer Dr. Jeffrey Zients, dual-hatted as the Office of Management and Budget (OMB) Deputy Director of Management, said at his Senate confirmation hearing:

I found that leadership, measurement, and a motivated workforce create the foundation for good performance.

This Administration is very focused on performance goals, especially emphasizing collaboration within organizations and across agencies. In addition to prioritizing goals, the Administration wants to ensure that top leadership is invested in performance improvement initiatives and that agencies employ best practices and evidence-based strategies. Secretary of Defense Robert Gates has taken that challenge very seriously and is responding to the OMB June 11, 2009 Memorandum to identify a limited number of high-priority goals and begin developing strategies to address them.



Director Defense Security Cooperation Agency, discussing the goal of "Enhancing the Security Cooperation Workforce".

### Enhance the Security Cooperation Workforce — Defense Institute of Security Assistance Management Training

One of these draft Department of Defense (DOD) high-priority goals has immediate impact upon the security cooperation community. That goal is "Enhance the Security Cooperation Workforce"—ensuring that 100 percent of the community workforce receives training from The Defense Institute of Security Assistance Management (DISAM). This DOD goal reflects the high-level DOD attention there is on our community to expeditiously and successfully execute security cooperation programs.

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Over the last decade, we've seen tremendous growth in both scope and magnitude of security cooperation," stated Vice Admiral Wieringa, Director, DSCA. Recently I've found many cases in overseas SCOs where people were working on security cooperation activities with no experience or training. Obviously, it would be great if we could fill billets with experienced people. But at a minimum, security cooperation personnel should have completed training on the fundamentals. We have started to focus on this training metric and will continue to work on improvement in 2010.

### **Linking Strategic Planning, Performance Measurements, and Process Improvement**

DSCA's focus on improving performance includes launching a rigorous strategic planning process headed by Mr. Fred Beauchamp, DSCA Strategic Planner. This process includes executive leadership off-sites and workforce focus groups. The DSCA Strategic Plan goals and objectives are linked to the Under Secretary of Defense for Policy (USDP) goals and objectives and to the Deputy Secretary of Defense high-priority performance goals. The DSCA Strategic Plan 2009-2014 is to be completed by September 30, 2009. This will allow DSCA headquarters directorates to develop their implementation plans and their employees to tie their FY 2010 individual job objectives to the new strategic goals and objectives. The next step in the strategic planning process will be to develop performance measurements and metrics and hold quarterly reviews of those DSCA metrics.

Security cooperation community metrics are reviewed quarterly at DSCA-hosted Security Cooperation Business Forums (SCBFs), which include representatives from:

- DSCA
- Each of the MILDEPs
- The Joint Staff
- Acquisition, Technology, and Logistics (AT&L)
- Defense Logistics Agency (DLA)
- Defense Technology Security Agency (DTSA)
- International customer and industry association

Reviewing performance measurements and metrics often identifies the need for change in our business processes. Process improvement is a big part of achieving higher-level performance, and Continuous Process Improvement (CPI) is part of Secretary Gates' efforts to find efficiencies. Mr. Eric Ferguson is DSCA's CPI program manager and a Lean Six Sigma (LSS) black belt. Headquarters DSCA and related organizational elements include 44 green belts who have done numerous LSS projects for process improvement. Some of these projects include:

- Letter of Offer and Acceptance (LOA) Rework
- Identify New Metric for LOA Processing and 36b Congressional Notification Review
- Letter of Request (LOR) Timeliness
- Repair and Return Cycle Time Improvement

The majority of these initiatives have had significant leadership oversight, and many have involved extensive teaming with the MILDEPs to achieve standardization and greater efficiencies. Through this collaborative approach, the security cooperation community will experience faster transformational progress that is critical to our need to provide more effective and efficient processes across all SCOs.

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This process improvement work in DSCA, in the MILDEPs, and throughout the federal government is integral to the Administration's performance management agenda and to performance improvements in our security cooperation community.

### **About the Author**

Freda J. Lodge is the Chief Performance Officer (CPO) at the Defense Security Cooperation Agency (DSCA). As the CPO, she is charged with leading the agency and the community to improve overall performance. She previously served as the Principal Director for Strategy at DSCA where her Directorate responsibilities included providing strategic direction for plans, policies, and resources of Security Cooperation missions. She has over 20 years government service, plus 10 years in private industry working on international defense issues. She holds a Bachelor's Degree from the University of Virginia, and a Master's in Public Administration (MPA) from George Washington University. Her awards include the Department of Navy Commendation Medal for Superior Civilian Service.

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# **The Security Cooperation Enterprise Solution: Transforming Case Execution Through Standardization and Integration**

**By  
Anita Eggleston  
Defense Security Cooperation Agency Policy Analyst**

In July 2008, the Defense Security Cooperation Agency (DSCA) and the Business Transformation Agency (BTA) partnered to design, develop, implement, and field the Security Cooperation Enterprise Solution (SCES). SCES is designed to improve the access and visibility of case execution data across acquisition, logistics, and financial functional areas to better manage security cooperation programs. DSCA partnered with BTA because of its knowledge and expertise in: program management; Business Enterprise Architecture (BEA) standards, process modeling; Enterprise Resource Planning (ERP) systems

## **Approach**

The SCES Program Management Office (PMO) is utilizing the Department of Defense's (DoD) Business Capability Lifecycle (BCL) approach as a framework for planning and managing cost, schedule, and performance of SCES throughout its lifecycle. BCL is designed to address long-standing challenges impacting the delivery of defense business information capabilities across DoD.

For requirements development, the SCES team, which consists of DSCA, Military Department (MILDEP), and BTA representatives, identified four End-to-End (E2E) business processes applicable to SCES and used them to develop functional and technical requirements for foreign military sales (FMS). The four business processes utilized by the SCES team are as follows:

- Prospect-to-Order (P2O) encompasses all business functions necessary to generate and sustain sales by pursuing qualified leads, employing effective sales techniques, processing orders efficiently, maintaining customer relationships, and providing support functions.
- Budget-to-Report (B2R) encompasses all business functions necessary to plan, formulate, create, execute against, and report on the budget and business activities of the entity.
- Order-to-Cash (O2C) encompasses all business functions necessary to accept and process customer orders for services and/or inventory held for sale. This includes such functions as managing customers, accepting orders, prioritizing orders, fulfilling orders, performing distribution, managing receivables, and managing cash collections.
- Procure-to-Pay (P2P) encompasses all business functions necessary to obtain goods and services. This includes such functions as requirements identification, sourcing, contract management, purchasing, payment management, and receipt/debt management.

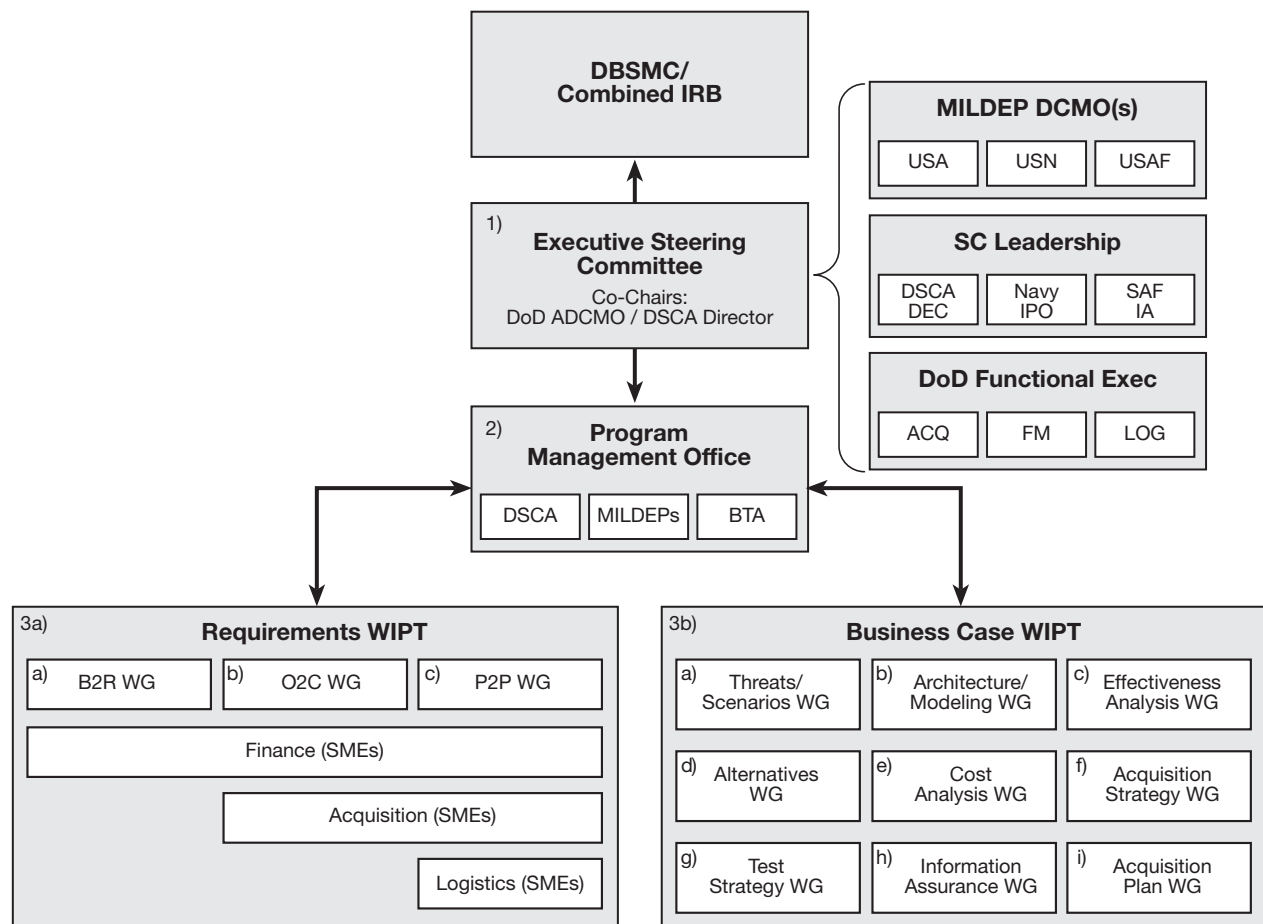
The SCES team established SCES Requirements Working Groups (WGs) for each of the four business processes and invited representatives from the security cooperation, ERP, and functional communities to participate in the development of SCES requirements. Additionally, the SCES PMO established a Business Case Working Integrated Product Team (WIPT) for the development of the

SCES business case that is required under Department of Defense's BCL framework. The SCES Program Manager provides bi-weekly updates on SCES to the DSCA Director and the DoD Assistant Deputy Chief Management Office (ADCMO) and monthly updates to the IT Governance Board, which consists of senior-level representatives from the security cooperation community.

## Governance Structure

Figure 1 shows the governance structure which was established for the development of SCES and begins with the SCES PMO. The SCES PMO consists of representatives from DSCA, BTA, and the MILDEPs. The SCES Executive Steering Committee (ESC) was established June 1, 2009 to engage and maintain support from the senior leadership across the security cooperation, ERP, and functional communities. The SCES ESC is cochaired by the DoD ADCMO and the DSCA Director. The ESC held its first meeting on July 16, 2009 and will reconvene every 4 to 6 weeks to discuss SCES.

**Figure 1**  
**Security Cooperation Enterprise Solution**



SCES was presented to the Combined Investment Review Board in November 2008 and the Defense Business Systems Management Committee (DBSMC) in April 2008 and April 2009, and both bodies support the project. SCES will continue to provide the Combined Investment Review Board and DBSMC periodic updates and seek their guidance for key milestone decisions throughout its lifecycle.



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## Current Status

SCES is currently in the Requirements Definition Phase. Other key activities planned for SCES in FY 2009-2010 include:

- Requirements Validation and Modeling (Proof of Concept)
- Business Case Analysis
- Analysis of Alternatives (AoA)

The SCES PMO will continue to need the assistance of the MILDEP representatives throughout the program lifecycle to participate in requirements validation, testing, blueprinting, training, and deployment of SCES. Funding for SCES has been programmed for fiscal years 2010-2013.

The SCES effort is a tremendous undertaking, and its success depends upon the coordinated effort, support, and continued engagement of the entire security cooperation community. To keep the security cooperation community updated on the progress of SCES, the SCES PMO uses various communication vehicles such as SCES Bi-Weekly Webinars, weekly status reports, meetings, conferences, and news articles. The SCES PMO is also developing a public web site.

For more information on the SCES effort, please contact Anita Eggleston, DSCA's SCES Representative, at [anita.eggleston@dscamilitary.mil](mailto:anita.eggleston@dscamilitary.mil). You may also contact your respective MILDEP representative(s) on the SCES team, which are as follows:

- Army, Mr. Greg Myers at [greg.myers@us.army.mil](mailto:greg.myers@us.army.mil) and Ms. Nicole Sarcinelli at [nicole.sarcinelli@us.army.mil](mailto:nicole.sarcinelli@us.army.mil)
- Navy, Mr. Terry O'Connor at [terrence.o'connor@navy.mil](mailto:terrence.o'connor@navy.mil)
- Air Force, Mr. Kenneth Bradley at [kenneth.bradley-02@pentagon.af.mil](mailto:kenneth.bradley-02@pentagon.af.mil) and Mr. Earl Sollmann at [earl.sollmann@wpafb.af.mil](mailto:earl.sollmann@wpafb.af.mil)

We are in the process of establishing a mailbox and web site for SCES.

## About the Author

Ms. Anita Eggleston is a Security Assistance Policy Analyst in the Strategy Directorate, Policy Division of the Defense Security Cooperation Agency. She is currently serving as the DSCA Lead for the Security Cooperation Enterprise Solution (SCES) project. Her responsibilities include being a liaison between DSCA and the SCES Program Management Office (PMO), providing guidance to the SCES PMO, and serving as the SCES Strategic Communications co-lead. Prior to working at DSCA, she worked ten years for the Naval Sea Systems Command (NAVSEA) as a Case Manager in both the Office of International Programs and the Program Executive Office Submarines. She was also a Logistics Management Specialist within NAVSEA's DD (X) Program Office where she was responsible for developing, reviewing, and analyzing logistics life cycle requirements.



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# **Enhanced Freight Tracking System: Increased Visibility For the Future**

**By  
Kidd Manville  
Defense Security Cooperation Agency Strategy Directorate**

Consider the following scenario - July 2012 : The Bandarian Army has been flying military helicopters to support humanitarian missions in a desert environment for the past year. Anticipating the effect of sand and heat on helicopter parts, Bandaria, using the foreign military sales (FMS) process, ordered numerous spares to maintain a high operational readiness rate for the aircraft to sustain the mission. However, before the spares were delivered, the Bandarian helicopters began experiencing a systemic problem caused by debris damage to the helicopters' transmission. Bandarian officials called the International Logistics Control Office (ILCO), which is responsible for managing U.S. security cooperation requisitions and ensuring a smooth interface with normal service supply organizations. As such, the ILCO is the office charged with tracking the status of the transmissions Bandaria ordered through FMS. The ILCO indicated that the Defense Transportation System (DoD arranged transportation services) records indicated that the spare transmissions had been shipped over three weeks before. Using the requisition information provided by the ILCO, Bandaria's Security Cooperation Office personnel queried the Enhanced Freight Tracking System (EFTS). The EFTS records showed that the items arrived at the port of a neighboring country two weeks before and were awaiting transportation. With this information in-hand, the Security Cooperation Office in Bandaria worked with the ILCO and U.S. military department to expedite the last leg of the shipment to its final destination. The spare transmissions arrived in time to enable the critical humanitarian missions to continue uninterrupted, potentially saving hundreds of lives. Because the EFTS provides precise shipment status data to mission planners, the Bandarian military, the ILCO, and the military department were able to work together to resolve a bottleneck in the transportation system without compromising the mission.

In 2009 the Defense Security Cooperation Agency (DSCA) is projecting security cooperation (SC) sales to exceed \$33 billion. In addition to materiel coming from Department of Defense (DOD) stock, the U.S. Government (USG) is procuring from domestic and international vendors while using various modes of conveyance to transport defense articles to their final destinations. DSCA and the SC community desires a single system to provide end-to-end visibility of materiel purchased through foreign military sales (FMS). Recognizing the customer service value of reliable, near real-time visibility of SC materiel moving through the transportation pipeline, DSCA designated the Naval Inventory Control Point (NAVICP) as the Executive Agent for the Enhanced Freight Tracking System (EFTS) program on October 27, 2008.

DSCA has three overarching goals in developing EFTS:

- Facilitate the tracking of SC equipment to meet security concerns (e.g., misrouted shipments).
- Improve the SC community's performance in delivering equipment
- Improve overall case management through increased focus on materiel delivery

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EFTS is designed to increase visibility of SC shipments and consolidate tracking in a single application that is accessible via the Security Cooperation Information Portal (SCIP), a password-protected web site that allows both U.S. and host nation personnel to review and input data on FMS/security cooperation cases. EFTS is a secure web-based shipment tracking program that does not impose unusual hardware requirements on participants. The application only requires the authorized participant to have a personal computer with an internet web browser and SCIP access. EFTS will provide visibility of the FMS distribution pipeline for all classes of supply and modes of transportation either outbound from the U.S. to the FMS purchaser's country or materiel returning to the U.S. or U.S. facility overseas. In addition, EFTS will:

- Collect, process, and integrate transportation related information generated by the:
  - Military departments (MILDEPs)
  - Defense Logistics Agency (DLA)
  - U.S. Transportation Command (USTRANSCOM)
  - Participating carriers, freight forwarders, commercial sources (e.g., contractors, vendors), and FMS purchasers
- Provide FMS purchasers and U.S. entities with proof of shipment and proof of delivery for FMS shipments
- Retain transportation information in SCIP
- Provide the capability to monitor the distribution pipeline

EFTS provides the FMS purchaser the following benefits:

- Provides a single, tri-service, consolidated, authoritative source of FMS shipment tracking
- Provides the capability to monitor transportation
- Assists in resolving supply discrepancies by being able to identify location of equipment and materiel
- Provides additional case execution (order fulfillment/materiel delivery) tools
- Assists with in-country reception, staging, onward movement, and integration planning

To capture information about FMS and SC shipments, EFTS needs to be connected to several different transportation systems, and be flexible enough to integrate and adapt to new systems that generate relevant transportation data. EFTS receives data from U.S. shipment sources including:

- Defense Logistic Agency's Distribution Standard System (DSS)
- Wide Area Work Flow (WAWF)
- USTRANSCOM's Global Transportation Network (GTN)
- Participating Contractor Systems
- Participating Commercial Carriers

Participation in EFTS is not mandatory, but it is encouraged. DSCA released a Policy Memorandum (DSCA 08-33) detailing program benefits and soliciting participation from FMS purchasers. [The DSCA Memorandum 08-33 is included at end of this article.] The DSCA Policy Memorandum also noted that there may be some unique software configuration cost to user countries

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by participating in EFTS (cost to be recovered through a new or existing FMS cases). Since many user countries contract freight forwarders, freight forwarder participation is dependent on purchaser approval.

The first production version of EFTS was released to the SC community on April 30, 2009. DSCA is currently working to expand the level of data to capture transactions from the point of origin in the U.S. through the freight forwarders to receipt acknowledgement in-country. There are thirteen countries enrolled in EFTS and participating freight forwarders will report receipts of SC materiel to EFTS. With EFTS, freight forwarders will report receipts of materiel received from the DOD supply centers and contractors, as well as materiel returns coming from the FMS purchasers (e.g., repair and return, and direct exchanges) and will report onward movement.

EFTS is also expanding levels and displays of transportation information. Metrics information will be refined to provide FMS purchasers the ability to make business decisions on their transportation pipeline. The information will identify delays in shipments and assist in adjudicating missing shipment claims, consequently reducing the number of Supply Discrepancy Reports submitted and processed. The dashboard view will be established based on the user's SCIP access. For example, some purchasers will be able to view all shipment details vice a country representative working for the Air Force who will be able to only view Air Force cases for his or her country.

In fiscal year 2010, EFTS will focus on the development of interface applications for End-Use Monitoring, discrepancy reporting, Customs processing, and capturing materiel moving from the FMS purchaser's country back to the U.S.

EFTS symbolizes a significant improvement to FMS purchaser's support. The system will provide both FMS purchasers and U.S. entities visibility into the status of shipments and delivery for FMS SC equipment. It is expected that the system will reduce misdirected materiel. We encourage FMS purchasers to enroll in EFTS to begin taking advantage of the comprehensive transportation data and track FMS SC materiel through the transportation pipeline.

Please contact Mr. Kidd Manville at [kidd.manville@dscamail.mil](mailto:kidd.manville@dscamail.mil) or Mr. James Scaperotto at [james.scaperotto.ctr@navymail.mil](mailto:james.scaperotto.ctr@navymail.mil) for further information and how to enroll in EFTS.

### **About the Author**

Mr. Manville is a Security Cooperation Strategic Analyst in the Strategy Directorate, DSCA. His responsibilities include the formulation and implementation of policy guidance for executing security cooperation programs, to include Department of Defense programs and authorities related to Building Partner Capacity. He is the DSCA Program Sponsor for the Enhance Freight Tracking System. Prior to working at DSCA, he completed over ten years of commissioned service in the U.S. Air Force. He was a Security Assistance Officer assigned to the U.S. Military Group - Bogotá, Colombia.



**DEFENSE SECURITY COOPERATION AGENCY  
WASHINGTON, DC 20301-2800**

**OCT 27 2008**

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Enhanced Freight Tracking System (EFTS) (DSCA Policy 08-33)

EFTS is a secure web-based application that provides in-transit visibility of Foreign

Military Sales (FMS) shipments. EFTS is resident in the Security Cooperation Information Portal (SCIP) and serves as a consolidated source for FMS in-transit information. Ultimately, EFTS intends to provide visibility of the FMS distribution pipeline for all classes of supply and modes of transportation either outbound from the U.S. to the Purchaser's country or materiel returning to the U.S. or U.S. facility overseas. The attached document provides additional information on the EFTS program.

DSCA, in coordination with the Navy International Program Office, appointed the Naval Inventory Control Point (NAVICP) International Programs Directorate as the Executive Agent for EFTS. NAVICP is working with DSCA and the implementing agencies to inform the security cooperation community about EFTS. NAVICP will also work with FMS Purchasers and their freight forwarders to establish EFTS capability according to their individual needs. For those FMS Purchasers who do not use freight forwarders, NAVICP will help determine a way to provide freight tracking information any costs associated with this effort will be funded via an FMS case.

The success of EFTS relies greatly on the participation of the FMS Purchasers and their freight forwarders. DSCA strongly encourages FMS Purchasers to enroll in EFTS to leverage the benefits of having visibility of their FMS shipments throughout the transportation chain. For questions relating to this memorandum, please contact Mr. Kidd Manville, DSCA STRIPOL, at 703-604-6594 or [kidd.manvill@dsc.mil](mailto:kidd.manvill@dsc.mil).

//SIGNED//

Jeffrey A Wieringa  
Vice Admiral, USN  
Director

Attachment:  
As stated

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## **Enhanced Freight Tracking System (EFTS) Information Paper**

**Enhance Freight Tracking System (EFTS):** EFTS is a secure web-based application that will provide end-to-end in-transit visibility of Foreign Military Sales (FMS) shipments to the Security Cooperation community. EFTS is resident in the Security Cooperation Information Portal (SCIP) and serves as a consolidated source for FMS in-transit information. Ultimately, EFTS intends to provide visibility of the FMS distribution pipeline for all classes of supply and modes of transportation either outbound from the U.S. to the Purchaser's country or materiel returning to the U.S. or U.S. facility overseas. In addition, EFTS will:

- Collect, process, and integrate transportation related information generated by the Military Departments (MILDEPs); Defense Logistics Agency (DLA); U.S. Transportation Command (USTRANSCOM); and participating carriers, freight forwarders, commercial sources (e.g., contractors, vendors), and FMS Purchasers.
- Provide FMS Purchasers and U.S. entities with proof of shipment and proof of delivery for FMS shipments.
- Retain transportation information in SCIP.
- Provide the capability to monitor the distribution pipeline, providing FMS Purchasers directed materiel movement alerts.

**Phased Implementation of EFTS:** EFTS implementation is currently planned in three phases.

- Phase 1: Establish EFTS program, develop requirements and documentation, and deploy the production version of EFTS application.
- Phase 2: Capture transactions from point of origin in U.S. through freight forwarders to receipt acknowledgement in-country.
- Phase 3: Develop interface applications for End Use Monitoring, discrepancy reporting, and capturing retrograded materiel moving from the FMS Purchaser back to the U.S.

**Hardware and Software Requirements:** Participants must be registered SCIP users with either a SCIP token or Common Access Card (CAC) to gain access to EFTS.

- Hardware: There is no required hardware configuration, but participants must have a system that has a web browser and access to an Internet Service Provider.
- Software: There are no software requirements to operate or participate in EFTS, it is designed to use the existing systems operated by the FMS Purchaser and its freight forwarder. EFTS will use Defense Information Systems Agency approved transfer methodologies, carriers, and data sources, which includes, but are not limited to Web Services, Application Program Interface Calls, Electronic Data Interchange, File Transfer Protocol, Sybase clients, and Oracle clients to capture the necessary transactions.
- Optional Equipment: EFTS is designed to interface with existing systems. EFTS has developed a Hand Held Computer (HHC) application that provides basic receiving, inventory, and shipment capability. The EFTS HHC information is passed directly to and from EFTS on SCIP. Costs associated with this option depend on specific FMS Purchaser requirements and will be funded via an FMS case.

**Note:** EFTS participants must make subject matter experts (SMEs) and IT professionals available for a negligible period of time to prepare and test system interfaces. The EFTS Program Office will assist the FMS Purchaser and/or its freight forwarder in establishing the required interfaces.

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**Cost to the FMS Purchaser:** The use of a freight forwarding agent is at the discretion of the FMS Purchaser and negotiation with the agent. EFTS has been designed to incur minimal or no cost to this arrangement. Any costs will be recovered via an FMS case.

- System access and file transfers are included as part of implementation. However, some costs may be incurred to develop file transfer capability.
- Should a FMS purchaser desire to pursue optional equipment and capabilities, costs will be incurred depending on the HHC model and source. In addition, there may be costs for transferring EFTS software to the HHC.

**Note:** Freight forwarders/countries are not required to change their current receiving, shipping, and inventory practices for access and use of the system. The EFTS team will be available to assist in establishing system access and file transfer capability.

**Benefits to the Security Cooperation Community:**

- Provides a single, tri-service, consolidated, authoritative source for FMS shipment tracking
- Provides the capability to monitor transportation compliance and performance
- Leverages the SCIP database to serve as a source for FMS in-transit shipment related information
- Assists in resolving supply discrepancies by being able to identify each leg of the distribution pipeline
- Provides additional case execution (order fulfillment/material delivery) tools
- Assists with in-country reception, staging, onward movement, and integration planning
- Actively tracks items through the distribution pipeline
- Provides advanced notification of FMS shipments
- Increases efficiency by identifying misdirected shipments using any web browser Points of Contact:
- DSCA Program Sponsor representative for EFTS: Mr. Kidd Manville, DSCA STR/POL, at 703-604-6594 or [kidd.manville@dsc.mil](mailto:kidd.manville@dsc.mil).
- NAVICP Executive Agent representative for EFTS: Mr. Terrence O'Connor at 215-697-5003 or [terrence.o'connor@navy.mil](mailto:terrence.o'connor@navy.mil).



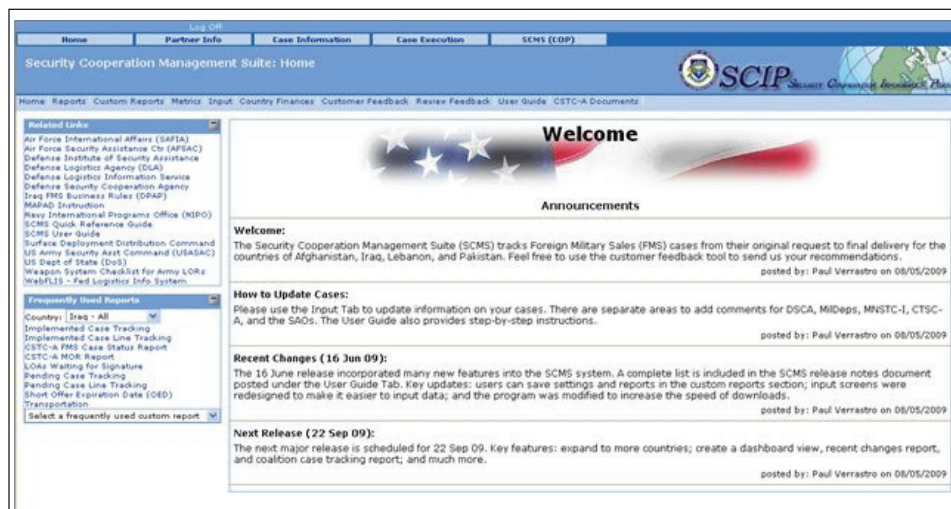
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# The Security Cooperation Management Suite: Information, Visibility and Responsiveness

By  
**Captain Paul Verrastro**  
Defense Security Cooperation Agency  
Program Manager for Security Cooperation Management Suite  
and  
**Susan Bradley**  
Navy Supply Information Systems Activity  
Project Manager for Security Cooperation Management Suite  
and  
**Tom Sippel**  
Defense Security Cooperation Agency  
Defense Security Assistance Development Center  
Security Cooperation Information Portal Program Manager

The security cooperation (SC) community is gaining a valuable new source of information on foreign military sales (FMS) goods and services, spanning the full range from request to delivery. A new management suite, hosted via the Security Cooperation Information Portal (SCIP), will provide both the U.S. and our international partners new access to key information needed to track progress and assure project success.

This community, in 2007, identified a need for a common operating picture of FMS products and services. To fulfill this need, the Defense Security Cooperation Agency (DSCA) sponsored the Navy Supply Information Systems Activity (NAVSISA) and Defense Security Assistance Development Center (DSADC) to develop a software application to provide better visibility of FMS case execution, procurement, and delivery. This effort began as a prototype for Iraq, one of the community's top priorities. It was dubbed the Iraq common operating picture (COP). The COP was fielded in less than a year and impressing users and leadership with its value was quickly expanded to include Afghanistan, Pakistan, and Lebanon.





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The application was renamed the Security Cooperation Management Suite (SCMS) to reflect a broader mandate. As a common operating picture for FMS, SCMS was expanded to cover all regions and countries. It provides better visibility and more complete information to a wide variety of U.S. agencies and war fighters. SCMS targets the types of technical and managerial information necessary to permit well-informed decisions, and improve FMS contracting and transportation responsiveness. It gives access to key delivery information. And hosted via SCIP, SCMS offers the advantage of availability—to those users who already have the access, approvals, and system knowledge to go right to work.

Prior to SCMS, relevant parties relied on multiple sources of data and manual processes to track and update the status of defense articles and services procured through FMS. SCMS gives users quick access to:

- Information on case development
- Case execution
- Contracting
- Requisitions
- Financials
- Transportation information via a single centralized repository

SCMS facilitates case and material tracking using milestones within the FMS process. It allows the user to customize reports in support of unique requirements. Access rights allow select users to input data and pull information according to need and authority. SCMS offers new details and insight regarding transportation data by connecting to the Global Transportation Network (GTN) and leveraging SCIP's Enhanced Freight Tracking System (EFTS) for delivery and freight forwarder information. Together, these capabilities enable trend analysis and better decision-making.

The benefits are apparent. Lieutenant Colonel Joe Lontos, DSCA Iraq Country Program Director, stated:

SCMS provides the community a vertical—Theater, DSCA, service, Commodity Command, Geographic Combatant Command (GCC), Office of Secretary of Defense (OSD), and Joint Staff—interactive, web-based collaborative tool to ensure that the FMS process, service contracting, and defense transportation systems are effectively bundled into a flexible and responsive solution for requirements generated by real-time Stability, Reconstruction, and Contingency Operations.

SCMS resides within SCIP, which is developed and maintained by DSADC. In leveraging the capabilities of SCIP, SCMS receives fresh data daily from all relevant sources. DSCA, the military departments, and other stakeholders will be able to recommend new system enhancements as requirements evolve. The system's rapid development via seven major releases since April 2008 was due, in large part, to a clear vision of purpose and active user feedback during Program Management Reviews. In October of last year [2008], SCMS was deployed worldwide. For more information on access to SCMS, its capabilities, and "how to" information, go to <https://www.scportal.us/home>.

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## About the Authors

Captain Paul Verrastro, Security Cooperation, U.S. Navy, is the DSCA Program Manager for SCMS as well as the Country Program Director for Coalition Affairs, North Atlantic Treaty Organization and Georgia.

Ms. Susan Bradley is the NAVSISA Project Manager for SCMS.

Mr. Tom Sippel is the DSCA/DSADC SCIP Program Manager.

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# **Army Performance Tools and Process Improvements**

**By**

**Cathy Leese**

**United States Army Security Assistance Command  
Performance Management Office**

The United States Army Security Assistance Command (USASAC) concept for performance management directly links performance metrics to the command strategy. The metrics are tied to our strategic goals and objectives which, in turn, support the Army's strategic plan. This approach included developing standard metrics throughout our core functions and processes that are clearly linked to strategy. USASAC then developed automated performance management tools connected directly to our legacy management systems to automatically update and populate our performance measures. These legacy management systems include the Defense Security Assistance Management System (DSAMS) and the Centralized Integrated System-International Logistics (CISIL) and are at the core of how we manage the foreign military sales (FMS) process.

These legacy systems are our systems of record for FMS and are used to execute our core processes, but they do not readily provide actionable information to management on how well we are performing and on our overall process capability. In the past, when we needed process or metric data, we would query data from the legacy systems, download it into a spreadsheet, apply formulas, conduct analysis, and then place the results into a chart. This is the same process we used to conduct monthly performance review and analysis (R&A) and the process we used for any ad-hoc performance and process analysis.

Conducting these manual R&As and any desired process performance analysis is very time consuming. It also allowed a lot of variation based on who was pulling the information and for what purpose it was being used. For example, when conducting a Geographic Combatant Command (GCC) performance review, the GCC Director was primarily responsible for pulling the data and doing the analysis required to conduct the review. Even though general guidelines were provided for these reviews, each GCC Director varied slightly in what they pulled and how they presented data and metrics to Army senior leaders. This variation became even more apparent when trying to compare the performance of one GCC to another or when trying to show rolled up data for the entire organization. Another problem is that data could be massaged and "cleansed" before presentation to senior leaders.

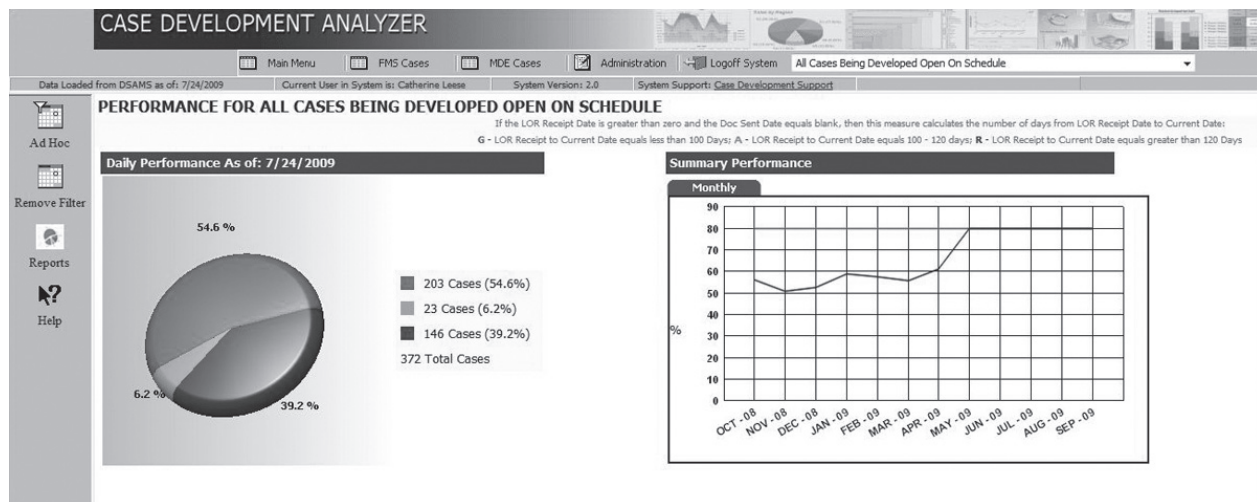
The purpose of our performance analyzer tools was to eliminate the variation in data and automate, where possible, the data for routine performance reviews and process analysis. This would allow for standardization of all metrics and management data across the organization and allow for easy drill down or roll up of metric data. The tools also eliminated all variation in data and limited the ability to exclude any data resident in our legacy systems.

In order to develop our analyzers, we developed high-level process maps and then developed metrics to measure these high-level processes. We linked these metrics to our overall strategy map, completing the circle. The analyzers take data from our legacy systems and run it through programmed logic to produce status for each requirement currently in the pipeline. The status for each requirement is then aggregated with all other requirements and compared against a target for

overall performance status. This system fully automates our high-level metrics and gives us the ability to drill down to the specific requirements driving each metric.

As an example, in 2007 USASAC identified a void in the case development process and targeted it for improvement. Standard metrics did not exist, and performance management tools were not available to measure the process. We developed the Case Development Analyzer (CDA) program as a direct result of two Lean Six Sigma (LSS) Green Belt projects designed to address the case development process. The first LSS Green Belt project addressed the need for performance metrics at the Country Program Manager (CPM) level. The second project involved improving data collection and corresponding metrics for the process. The CDA effort sought to eliminate the manual cycle time of gathering and analyzing data while providing a standard format for use among the regional GCCs.

The CDA tool uses a daily feed of DSAMS data to provide access to performance metric information at the overall level for the case development process, as well as more detailed performance data for cases residing in any of the eight designated sub-processes/segments of the process. These overall and sub-process or segment measurements also align with the Defense Security Cooperation Agency (DSCA) level metrics for the Case Development process. This process allows managers to query by GCC, country, or Country Program Manager. Reports with case-level detail are linked to each query and are displayed by green, amber, or red performance indicators based on established targets for each sub-process or segment.

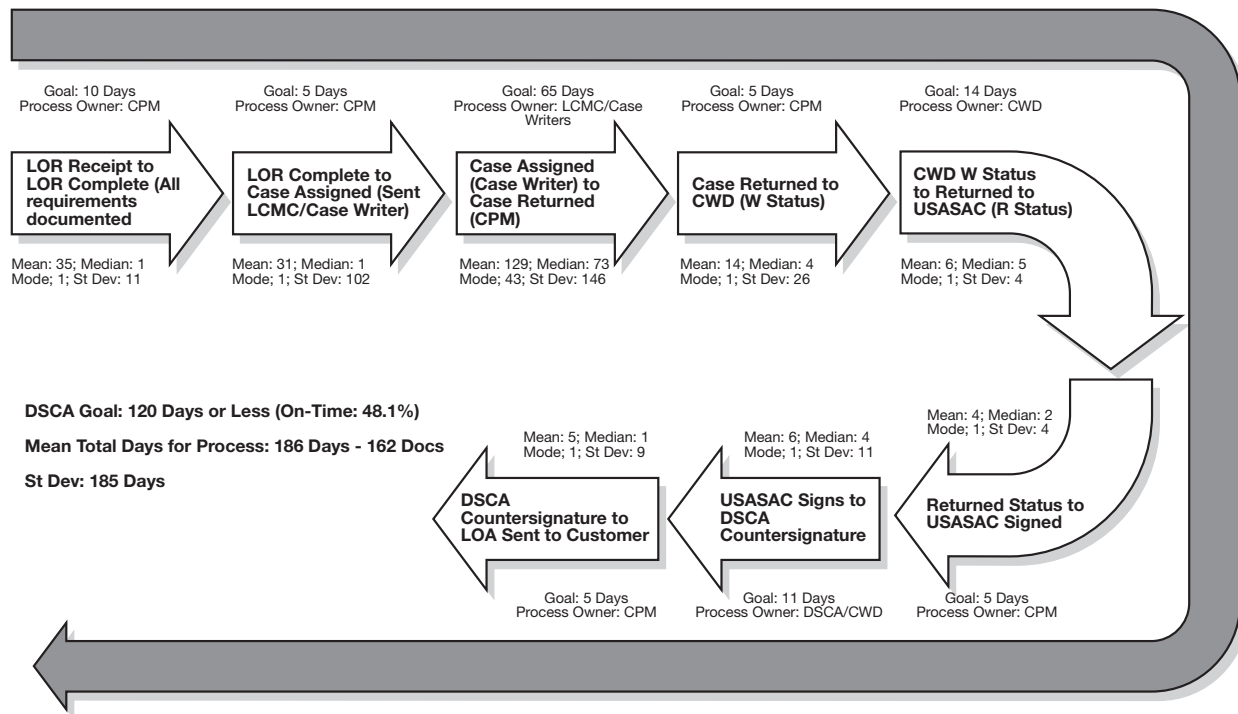


As an enhancement to the original tool, USASAC created the Interactive Case Development Analyzer (ICDA) (example on next page) to provide easy access to summary-level data by GCC or Life Cycle Management Command (LCMC) along with certain drill down capabilities. This new interactive tool was targeted at senior-level managers to give them a quick view of how the process is running and where trouble areas may exist. Although the ICDA is not as powerful as the CDA in terms of drill down, graphic, and ad-hoc capabilities, it has proven to be a powerful senior-level management tool because of its ease of use.

The current versions of both tools were brought online only for Army Defined Order cases in the DSAMS case development pipeline. USASAC decided to begin with these cases since they are most often the ones that do not meet the DSCA case development goal of 80 percent in 120 days and

were considered our “burning platform”. Plans are currently in place to include Blanket Order and Cooperative Logistics Supply Support Arrangement (CLSSA) cases in the very near future.

**Figure 1 European Command Case Development Processing Times  
For Defined Order Cases and Amendments Target Goals and Actual  
Average Days Based on Document Sent Milestone FY 2008 YTD**



USASAC has seen a tangible benefit in using the CDA and ICDA as performance tools. From fiscal year (FY) 2007 to FY 2008, USASAC saw a 12.5 percent increase in the on-time performance for Defined Order cases processed. The average cycle time and standard deviation for the case development process also decreased since the tool’s implementation. This results in less variation in the process. For the first time, USASAC managers and senior leaders have an easy way to see how many cases are in DSAMS and whether they are on schedule in each segment of the process and overall. This tool also allows USASAC to populate our high-level organizational metrics automatically and provides a reliable measurement system for our LSS process improvement efforts.

In addition to the two LSS Green Belt projects that resulted in the CDA and ICDA, USASAC also led or participated in many other LSS events/projects focusing on the Case Development process. Army events led by USASAC include events on reducing Letter of Offer and Acceptance (LOA) staffing and review cycle time, Letters of Offers and Acceptance Data (LOAD) development cycle time, and LOA errors caused by service unique notes. The events resulted in an increase in LOA quality and reductions of LOA re-work. Some other results of these events implemented across the Army and/or by USASAC are centralized:

- Letter of Request (LOR) receipt
- LOR checklists

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- Development of the International Customers web site
  - LOR technical review or “Quick Look” by our LCMC and Program Executive Officer/ Program Managers (PEO/PMs)
  - Elimination of LOA Quality Reviews

Demonstrations on the capabilities of the tool were well-received by the other services and DSCA. In April 2009 the tool was deployed to both the Air Force and Navy for limited initial use and evaluation. Although some modification will be required by each service for full integration, the initial feedback on the tool was positive. In May 2009, USASAC hosted a Tri-Service CDA meeting during which representatives agreed to a tri-service baseline for the tool and identified areas where the tool needs to be modified prior to full use by the other services.

The CDA and ICDA are internal management tools only and are not intended to be exported to our international customers. Currently the tool does not have the security features necessary to partition the data of individual customers. DSCA will decide what case development information and data will be exportable to our customers through the Security Cooperation Information Portal (SCIP).

### **About the Author**

Ms. Leese is an Army Supply Management specialist with over thirty years with the federal government. She has worked at the U.S. Army Security Assistance Command in New Cumberland, Pennsylvania for 23 years and currently works as a Logistics Management Specialist in the Performance Management Office. Her primary duties include development and management of metrics tools and reports; scheduling, coordination and analysis support to the command group for performance metrics reviews; and local administrator for the Army Strategic Management System. She completed her Lean Six Sigma Green Belt certification in April 2009.



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# **Looking Forward Using Lean Six Sigma in Navy International Security Assistance: The Next Step**

**By  
Jeffrey Brewer  
Navy International Programs Office**

By all accounts, the Navy International Program Office (NIPO) has a healthy and active Continuous Process Improvement (CPI) Program. Dating back to 2005, appropriate resources have been dedicated to build a successful CPI Program. The program enjoys executive leadership backing, full time Lean Six Sigma Black Belt support, and project sponsors willing to execute projects and commit to change management. Now that the program is operational and has been working for several years, the questions have changed from “How” and “Why?” to “Where do we go from here?”

NIPO built its CPI Program around Lean Six Sigma (LSS) principles, emphasizing Lean efforts to improve cycle time and reduce costs in its transactional processes and focusing on eliminating variation with Six Sigma. Roughly 12 percent of NIPO employees are trained CPI practitioners. This includes black belts and green belts who lead project teams and are mentored by a black belt deployment champion. These belts have successfully worked projects in areas from Case Reconciliation Reviews to Printer Cost Reductions and from Inter-Division Communication to NIPO Training Coordination.

One particularly successful project kicked off as a response to offset a top-line budget reduction handed down to NIPO. The NIPO team initiated a series of Kaizen Rapid Improvement Events to explore ways to offset a \$350 thousand reduction in funding for three technology security process areas (foreign visit, export license, and disclosure requests). These Kaizen events were bundled into a black belt guided project entitled “Task Force 350.” After performing a project identification and selection workshop to pick the detailed process areas to work, three separate teams, each led by a great belt, met over a three-week period. The teams employed the full range of LSS tools, including value stream mapping, surveys, nominal group techniques, brainstorming, root cause analysis, and cause and effect matrices. The teams identified and eliminated redundant activities and improved the remaining process steps to offset the budget reduction while maintaining output rates. Based on the results of the Task Force 350 project, NIPO returned two work years to the Department of the Navy for higher priority needs.

NIPO, like many other Department of Defense (DOD) organizations, is having considerable success applying the principles of LSS to its internal processes. It, like its counterparts across DOD, has a well trained cadre of CPI practitioners throughout the organization who have achieved significant improvements in cycle time and financial benefits. However, as we continue to become more and more lean, we need to ask the question: When does my organization hit Lean Saturation?

That question demonstrates a common problem in CPI implementation; that is buying into the misconception that CPI is a destination. Too often we achieve initial success; we post the certification on the wall, update our resumes, then get back to business as usual. On the contrary, CPI and LSS are toolsets we must use continually to better meet our customers’ needs. It is a culture that is created within an organization by which we solve our organizational problems systematically, producing real results in a financial and readiness sense. But it also is a way of taking advantage of opportunities



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as we face evolution in our product lines and the rapid acceleration of technology. Consider the auto industry, the consumer continually demands the best and most innovative features in cars. When car companies decide that they have achieved an “end state” in their car designs, we see them disappear from the market. As long as our customers seek better products, faster and at reduced cost, and as long as the American taxpayer demands improved stewardship of their dollars, we must continually assess and improve our business processes. Lean Six Sigma must be viewed as a culture we create and a means to an end, not a final destination.

Around DOD, organizations are speaking a common language of process improvement. What started as grass roots improvement tools at depots and local commands has become a standard practice with the recent release of DOD Instruction (DODI) 5010.43, *Implementation and Management of the DOD-Wide Continuous Process Improvement/Lean Six Sigma (CPI/LSS) Program*. Now that the ground work is set, organizations must reach out across organizational lines to better meet customer demands. “Leaning” one organization and declaring success is analogous to adding the most fuel efficient Goodyear tire to a 1967 Chevelle and expecting top-notch fuel efficiency. It is going to take a system-level solution to reach the right end state.

Within the international security cooperation arena, our value stream encompasses many different processes performed across many different organizations. In the Navy, our value stream reaches out to an extremely diverse supply chain. NIPO reaches out to the seven major Naval Systems Commands (SYSCOMs), and in turn they link our value stream to the industrial complex including aircraft manufacturers, ship yards, electronics companies, weapons suppliers, and other commercial entities. Each SYSCOM has different and often complex internal processes for providing security assistance outputs. NIPO and the SYSCOMs receive direction from various policymakers and stakeholders who are the driving forces of this value stream. While many of these organizations have “leaned” their internal workings to some extent, the value stream as a whole has plenty of room for improvement. This will be the next challenge for the CPI community.

Once we begin to view this conglomeration of agencies and offices as a value stream, we can begin to work process improvement as a whole. We plan to do this by linking Lean champions, leaders, and practitioners together. The Navy has charted the Sea Services Security Assistance Council (SSSAC) to examine issues that cross organizational boundaries. The council recently asked that Lean champions from each international assistance organization represented by the SSSAC begin to collaborate on a regular basis. This group will charter, staff, and undertake LSS Projects that affect all member organizations. NIPO facilitates this group, referred to as the Navy International Lean Six Sigma Working Group. This group will provide transparency and project replication opportunities across organizations and will undertake projects that would not be feasible without membership from multiple organizations.

A key enabler to the flow of CPI information across organizational lines is the Navy’s Continuous Process Improvement Management System (CPIMS). CPIMS is a web-based database that records, tracks, and reports all Navy project and practitioner data in one central location. CPIMS is based on the Power Steering software application and has been the Navy standard for several years.

Beyond the basic capabilities of tracking status and reporting information, CPIMS holds a wealth of knowledge on projects completed across the various components of the Navy. It is the central repository for CPI project data, ideas, templates, and other tools. Prior to undertaking a new project, NIPO green belts are asked to locate and research similar projects in CPIMS to find lessons learned, benchmark data, and identify possible project replication opportunities. While few project replication

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candidates can be considered “plug-and-play,” many completed projects provide a solid foundation for improvement and possible collaboration opportunities in the community. This type of pre-project research significantly reduces the time and effort of projects and events and should be considered a community best practice.

One example of CPIMS usefulness is a NIPO project targeting cost reductions in document printing and duplication. At first appearance this seems like a rather benign project; however, upon further inspection, the funds allocated to printing and copying approached \$1,000 per employee. Finding several similar projects within CPIMS, it was clear there was a compelling business case; and NIPO launched a Kaizen Rapid Improvement Event. This event charter replicated a project completed by Naval Air Station Cherry Point. The Kaizen team, using the Cherry Point project as a foundation, worked through an accelerated Lean Six Sigma Define, Measure, Analyze, Improve, Control (DMAIC) process and to create its own recommendations for cost reductions. While careful not to jump to conclusions, the team was able to reap similar project savings in two half-day working sessions as opposed to the ten months it took to work through the full DMAIC process. Thanks to the hard work of the Fleet Readiness Center (FRC) East team and the common project documentation available in CPIMS, the financial benefits were realized with little additional NIPO investment.

The foundation has been laid for better communication within the Navy’s international security assistance value stream. Practitioners are using CPIMS to share ideas, data, and lessons learned. Now that these initial steps have been taken, we can now work to close the gap between organizations as products, services, and information flow through the value stream. In a business that is in all senses of the word “global,” we must accelerate our business model to keep pace with the constant flux of our world. To meet our mission, we will continually improve ourselves to meet our mission today, tomorrow, and into the future.

### **About the Author**

Jeffrey Brewer is the Lean Six Sigma Deployment Champion and Blackbelt at the Navy International Programs Office (NIPO). His responsibilities include providing oversight of NIPO Lean Six Sigma Projects, guiding and developing NIPO green belts, and ensuring NIPO Lean Six Sigma efforts are aligned with Navy and NIPO priorities. Prior to working at NIPO, he lead improvement efforts as a blackbelt at NAVAIR and has a background in Aircraft Combat Survivability.

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# **Air Force Letter of Offer and Acceptance Process Improvements**

**By**

**Glenn Anderson**

**Deputy Chief, Security Assistance Policy, International Training and Education,  
Deputy Under Secretary of the Air Force, International Affairs**

The Air Force has taken a deliberate and focused approach to improving our Letter of Request (LOR) and Letter of Offer and Acceptance Data (LOAD) processes. The Air Force security assistance (SA) community recognized that it would be beneficial, to the USAF and our partners, if both of these processes could be improved. For both, the Air Force created project teams to conduct comprehensive Rapid Improvement Events (RIEs) to review and recommend improvements.

In September 2008 the LOR RIE addressed various deficiencies throughout the foreign military sales (FMS) LOR process. The FMS LOR process begins with the receipt of the LOR from the international partner and ends with the requirements validation. The intervening process suffers periodically because these deficiencies have not been addressed, typically resulting in an expedited but inaccurate final product. The team looked at the entire process from pre-LOR, through the date of the LOR request and LOR Receipt Date to LOR Complete. As with the LOAD process, subject matter experts (SMEs) from the Air Force SA community met and completed a thorough review of the LOR process, identifying key areas where the LOR could be improved, including:

- The lack of communication between the various entities involved in the process, including Air Force centers, government agencies and U.S. defense industry
- The lack of a standardized and documented process for creating, collecting and distributing LORs
- The lack of clear policy guidance available for use by all entities, including our foreign partners

Development of a standard process, recommended policy changes, training initiatives and performance metrics and controls were all paramount to the success of the RIE. Critical tasks which are currently being followed through by the Air Force are:

- Training Cooperation Offices (SCO) and international partners to ensure an executable LOR is received at the consolidated LOR entry point
- Developing standard checklists for various systems and implementing them across the Air Force
- Implementing a consolidated entry point within Air Force for all LORs to be hosted at the Air Force Security Assistance Center's (AFSAC).
- Developing an LOR automated tool which is currently in the Requirements Definition Phase with an Estimated Completion Date of mid-2010

In November 2008, various SMEs from throughout the Air Force SA community conducted the LOAD RIE. The stated purpose was to review and assess the LOA development process, starting with the LOR Validation (LORVALID) milestone to the Standard LOAD Complete (SLOADCOMP) milestone. Key objectives of the event are listed on the next page:

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- Standardize a process across the Air Force to identify customer requirements and generate those requirements to the contracting activity
  - Achieve goals, objectives, and deliverables by applying Air Force Smart Operations for the 21st Century (AFSO21) principles and tools to get there
  - Challenge the way we do business
  - Develop a real implementation plan

Additional definite goals were established to:

- Streamline and develop the process steps and standardize the process
- Develop Performance Measurements
- Establish a 30-day goal process for government and contractor responses
- Validate the quality of LOR and case development packages to 90 percent complete
- Reduce rework of the cases

Several recommended changes presented in the form of action items include:

- Technical changes such as automating the Prepline Task Milestone and Military Articles and Services List Switch and deleting the Standard LOAD Start (SLOADSTART) Milestone
- Policy changes including deleting the SLOADSTART Milestone, and the requirements for standalone MTDS
- Increased training for the SA community in DSAMS

To date, the project team continues meeting and coordinating on the various action items, recognizing that the improvements are ongoing. A major obstacle for the United States Air Force is the fact that our LOAD and LOR processes typically involve major articles that require cautious and deliberate execution, which often means lengthy periods of execution. Even with this being the case, the Air Force continues to seek ways to improve our processes for the benefit of the entire security assistance community.

### **About the Author**

Mr. Glenn Anderson is the Deputy Chief, Security Assistance Policy and International Training and Education Division, Policy Directorate, Deputy Under Secretary of the Air Force, International Affairs. He develops, implements, and oversees Air Force Security Cooperation policy and implements and/or facilitates policy concerning all international flight training and professional military education as directed by the Chief of Staff and the Secretary of the Air Force. He ensures all United States Air Force Security Cooperation programs and activities are consistent with national security strategy, legislation, and Department of Defense directives and procedures. In addition, he chairs the working group responsible for all Air Force Security Cooperation Community process improvement initiatives.

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## **Air Force Security Assistance Center to Host Security Cooperation Conference**

**By  
Daryl Mayer  
88th Air Base Wing Public Affairs**

The Air Force Security Assistance Center will host the Security Cooperation Conference November 3 to 4, 2009 in the Marriott RiverCenter in Covington, Kentucky. The conference will bring together security assistance practitioners from across the Department of Defense to meet with representatives from industry and from international partner nations to build on the conference theme “Transforming the Enterprise to meet the needs of our Global Partners.”

We’re very excited to host this conference on behalf of the Air Force, said Brigadier General Joseph Lanni, AFSAC commander. It promises to be an open and frank interchange of ideas that we expect will help improve the security assistance process for everyone involved.

The agenda was prepared with “jointness” in mind, according to Nancy Hudson, AFSAC’s Conference Planning lead.

We selected topics that reach across service boundaries to share process improvement efforts, crosstalk on best practices and enhance mission effectiveness, Ms. Hudson said. We’ve also set side time for service-specific breakout sessions to address unique topics.

This will be the second Tri-Service Security Cooperation Conference, The Army hosted the inaugural conference in 2007. The event is expected to draw more than 200 people and 30 vendors.

Coinciding with the conference will be a Foreign Disclosure conference designed to address the many similarities between the services in this area.

Any questions can be forwarded to AFSAC/XP at (937) 257-1132.

## 2009 TRI-SERVICE SECURITY COOPERATION CONFERENCE AGENDA 2 AND 3 NOVEMBER 2009

<u>Time</u>	<u>Main Conference Room</u>
<b>Monday 2 Nov</b>	
1700 – 2000	Registration
1730 – 1830	Icebreaker (Hors d'oeuvres in the Gazebo Lounge)
<b>Tuesday 3 Nov</b>	
0630 – 0730	Registration
0700 – 0730	Continental Breakfast
0730 - 0740	Administrative/Opening Remarks and Introductions of Divisions – AFSAC/CA – Mr. Michael Brock
0740 – 0745	Conference Opening Remarks – AFSAC/CC – Brigadier General Joseph Lanni, USAF
0745 - 0845	DSCA Presentation and Q&A – Introduction Video from VADM Jeffrey Wieringa
0845 - 0930	Department of the Air Force Presentation – SAF/IA (Global Partnership Strategy) – Briefer TBD
0930 - 1000	BREAK (Videos on Main Room Screen During Breaks)
1000 - 1045	Department of Navy Presentation – Navy IPO – Briefer TBD
1045 - 1130	Department of the Army Presentation – USASAC (Materiel Enterprise) – Mr. Richard Alpaugh
1130 - 1300	Lunch (On Your Own) Visit Displays
1300 - 1345	Security Cooperation Information Portal (SCIP) Presentation – DSCA – (Briefer TBD – Tentative: Mr. Thomas Sipel)
1345 - 1430	Security Cooperation Enterprise Solution (SCES) Presentation – DSCA – Briefer TBD (Tentative: Ms. Claire Evans and Ms. Anita Eggleston)
1430 - 1445	Break
1445 - 1515	Networking – Team Project
1515 - 1600	Transformation in the Services – Panel + Q&A – Army, Navy, Air Force (AFSAC) – Senior Briefers TBD (AFSAC/CC - Brigadier General Lanni)
1600 - 1615	Day 1 Remarks/Announcements – Mr. Michael Brock
1830 - 2130	Evening Social – B&B Riverboat Dinner Cruise



## 2009 TRI-SERVICE SECURITY COOPERATION CONFERENCE AGENDA 4 AND 5 NOVEMBER 2009

<u>Time</u>	<u>Main Conference Room</u>
<b>Wednesday 04 Nov</b>	
0700 – 0730	Continental Breakfast
0730 - 0745	Administrative/Opening Remarks – AFSAC/CV – Mr. Brock
0745 - 0845	Training Panel + Q&A – DSCA, USASAC, Navy IPO, AFSAC/AFSAT – Briefers TBD
0845 - 0930	Transportation Panel (CAA, EFTS, ISPM-15, Hazardous Materials) – DSCA, Navy, AFSAC – Briefers TBD
0930 - 0945	Break
0945 - 1015	SAO Perspective – DISAM/DI – Lieutenant Colonel Mark Karas, USA, Former Azerbaijan SAO
1015 - 1115	Voice of the Customer – FPG/ICUG and FLO Panel – 4 Briefers – Major Bart Eissing, ICUG Chair
1115 - 1245	Lunch
1245 - 1315	Letter of Request Development – DISAM/DM – Mr. Frank Campanell
1315 - 1400	LOA Quality Panel Discussion – Army, Navy, Air Force – DSCA – Mr. Steve Harris and DSCA/CWD – Mr. Mike Blatti
1400 - 1415	Break
1415 - 1445	Army Case Analyzer Tool – USASAC – Mr. John Neil
1445 - 1515	Navy Repair and Return Pilot Project – NAVICP – (Tentative: Mr. Richard Bennis, Navy ICP)
1515 - 1600	LSS Tri-Service Working Group Panel – Best Practices – Speakers TBD – (Tentative: Army, Mr. John Neil, Navy, Mr. Jeffrey Brewer, Air Force, Mr. Glenn Anderson)
1600 - 1615	Closing Remarks – The Next Steps for the Security Cooperation Community – AFSAC/CV – Brigadier General Lanni and Mr. Brock
<b>Thursday 5 Nov 09</b>	
0800 – 1130	Break Out Sessions ( Army and Navy)

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# LEGISLATION AND POLICY

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## Foreign Policy Address at the Council on Foreign Relations

By  
**Hillary Rodham Clinton**  
**United States Secretary of State**

[The following are excerpts from Secretary Clinton's address to the Council on Foreign Relations, Washington, D.C., July 15, 2009. The source document is from the Department of State web site: [www.state.gov](http://www.state.gov).]

Shortly before I started at the State Department, a former Secretary of State called me with this advice: "Don't try to do too much." And it seemed like a wise admonition, if only it were possible. But the international agenda today is unforgiving: two wars, conflict in the Middle East, ongoing threats of violent extremism and nuclear proliferation, global recession, climate change, hunger and disease, and a widening gap between the rich and the poor. All of these challenges affect America's security and prosperity, and they all threaten global stability and progress.

But they are not reason to despair about the future. The same forces that compound our problems—economic interdependence; open borders; and the speedy movement of information, capital, goods, services, and people—are also part of the solution. And with more states facing common challenges, we have the chance, and a profound responsibility, to exercise American leadership to solve problems in concert with others. That is the heart of America's mission in the world today.

Now, some see the rise of other nations and our economic troubles here at home as signs that American power has waned. Others simply don't trust us to lead; they view America as an unaccountable power, too quick to impose its will at the expense of their interests and our principles. But they are wrong.

The question is not whether our nation can or should lead, but how it will lead in the 21st century. Rigid ideologies and old formulas do not apply. We need a new mindset about how America will use its power to safeguard our nation, expand shared prosperity, and help more people in more places live up to their God-given potential.

President Obama has led us to think outside the usual boundaries. He has launched a new era of engagement based on common interests, shared values, and mutual respect. Going forward, capitalizing on America's unique strengths, we must advance those interests through partnership and promote universal values through the power of our example and the empowerment of people. In this way, we can forge the global consensus required to defeat the threats, manage the dangers, and seize the opportunities of the 21st century. America will always be a world leader as long as we remain true to our ideals and embrace strategies that match the times. So we will exercise American leadership to build partnerships and solve problems that no nation can solve on its own, and we will pursue policies to mobilize more partners and deliver results.

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First, though, let me say that while the ideas that shape our foreign policy are critically important, this, for me, is not simply an intellectual exercise. For over sixteen years, I have had the chance, the privilege, really, to represent our country overseas as First Lady, as a senator, and now as Secretary of State. I have seen the following:

- Bellies of starving children
- Girls sold into human trafficking
- Men dying of treatable diseases
- Women denied the right to own property or vote
- Young people without schooling or jobs gripped by a sense of futility about their futures

I have also seen how hope, hard work, and ingenuity can overcome the longest of odds. And for almost 36 years, I have worked as an advocate for children, women, and families here at home. I've traveled across our country listening to everyday concerns of our citizens. I have met parents struggling to keep their jobs, pay their mortgages, cover their children's college tuitions, and afford healthcare.

And all that I have done and seen has convinced me that our foreign policy must produce results for people—the laid-off auto worker in Detroit whose future will depend on global economic recovery, the farmer or small business owner in the developing world whose lack of opportunity can drive political instability and economic stagnation, the families whose loved ones are risking their lives for our country in Iraq and Afghanistan and elsewhere, children in every land who deserve a brighter future. These are the people—hundreds of millions of them here in America and billions around the world—whose lives and experiences, hopes and dreams, must inform the decisions we take and the actions that follow. And these are the people who inspire me and my colleagues and the work that we try to do every day.

In approaching our foreign policy priorities, we have to deal with the urgent, the important, and the long-term all at once. But even as we are forced to multi-task—a very gender-related term (laughter)—we must have priorities, which President Obama has outlined in speeches from Prague to Cairo, from Moscow to Accra. We want to reverse the spread of nuclear weapons, prevent their use, and build a world free of their threat. We want to isolate and defeat terrorists and counter violent extremists while reaching out to Muslims around the world. We want to encourage and facilitate the efforts of all parties to pursue and achieve a comprehensive peace in the Middle East. We want to seek global economic recovery and growth by strengthening our own economy, advancing a robust development agenda, expanding trade that is free and fair, and boosting investment that creates decent jobs. We want to combat climate change, increase energy security, and lay the foundation for a prosperous clean-energy future. We want to support and encourage democratic governments that protect the rights and deliver results for their people. And we intend to stand up for human rights everywhere.

Liberty, democracy, justice, and opportunity underlie our priorities. Some accuse us of using these ideals to justify actions that contradict their very meaning. Others say we are too often condescending and imperialistic, seeking only to expand our power at the expense of others. And yes, these perceptions have fed anti-Americanism; but they do not reflect who we are. No doubt we lost some ground in recent years, but the damage is temporary. It is kind of like my elbow—it is getting better every day.

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Whether in Latin America or Lebanon, Iran or Liberia, those who are inspired by democracy, who understand that democracy is about more than just elections—that it must also protect minority rights and press freedom; develop strong, competent, and independent judiciaries, legislatures, and executive agencies; and commit for democracy to deliver results—these are the people who will find that Americans are their friends, not adversaries. As President Obama made clear last week in Ghana, this Administration will stand for accountable and transparent governance and support those who work to build democratic institutions wherever they live.

Our approach to foreign policy must reflect the world as it is, not as it used to be. It does not make sense to adapt a 19th century concert of powers or a 20th century balance of power strategy. We cannot go back to Cold War containment or to unilateralism.

Today, we must acknowledge two inescapable facts that define our world: First, no nation can meet the world's challenges alone. The issues are too complex. Too many players are competing for influence, from rising powers to corporations to criminal cartels, from non-governmental organizations to al Qaeda, from state-controlled media to individuals using Twitter.

Second, most nations worry about the same global threats, from non-proliferation to fighting disease to counter-terrorism, but also face very real obstacles—for reasons of history, geography, ideology, and inertia. They face these obstacles, and they stand in the way of turning commonality of interest into common action. These two facts demand a different global architecture—one in which states have clear incentives to cooperate and live up to their responsibilities, as well as strong disincentives to sit on the sidelines or sow discord and division. We will exercise American leadership to overcome what foreign policy experts at places like the Council call “collective action problems” and what I call obstacles to cooperation. For just as no nation can meet these challenges alone, no challenge can be met without America. And here's how we'll do it: We'll work through existing institutions and reform them. But we'll go further. We'll use our power to convene, our ability to connect countries around the world, and sound foreign policy strategies to create partnerships aimed at solving problems. We'll go beyond states to create opportunities for non-state actors and individuals to contribute to solutions.

We believe this approach will advance our interests by uniting diverse partners around common concerns. It will make it more difficult for others to abdicate their responsibilities or abuse their power but will offer a place at the table to any nation, group, or citizen willing to shoulder a fair share of the burden. In short, we will lead by inducing greater cooperation among a greater number of actors and reducing competition, tilting the balance away from a multi-polar world and toward a multi-partner world.

Now, we know this approach is not a panacea. We will remain clear-eyed about our purpose. Not everybody in the world wishes us well or shares our values and interests. And some will actively seek to undermine our efforts. In those cases, our partnerships can become power coalitions to constrain or deter those negative actions. And to these foes and would-be foes, let me say our focus on diplomacy and development is not an alternative to our national security arsenal. Our willingness to talk is not a sign of weakness to be exploited. We will not hesitate to defend our friends; our interests; and above all, our people vigorously and when necessary with the world's strongest military. This is not an option we seek nor is it a threat; it is a promise to all Americans.

Building the architecture of global cooperation requires us to devise the right policies and use the right tools. I speak often of smart power because it is so central to our thinking and our decision-making.

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It means the intelligent use of all means at our disposal, including our ability to convene and connect. It means our economic and military strength, our capacity for entrepreneurship and innovation, and the ability and credibility of our new President and his team. It also means the application of old-fashioned common sense in policymaking. It's a blend of principle and pragmatism.

Smart power translates into specific policy approaches in five areas. First, we intend to update and create vehicles for cooperation with our partners. Second, we will pursue principled engagement with those who disagree with us. Third, we will elevate development as a core pillar of American power. Fourth, we will integrate civilian and military action in conflict areas. And fifth, we will leverage key sources of American power, including our economic strength and the power of our example.

Our first approach is to build these stronger mechanisms of cooperation with our historic allies, with emerging powers, and with multilateral institutions and to pursue that cooperation in, as I said, a pragmatic and principled way. We don't see those as in opposition but as complementary.

We have started by reinvigorating our bedrock alliances, which did fray in recent years. In Europe, that means improved bilateral relationships, a more productive partnership with the European Union (E.U.), and a revitalized North Atlantic Treaty Organization (NATO). I believe NATO is the greatest alliance in history. But it was built for the Cold War. The new NATO is a democratic community of nearly a billion people stretching from the Baltics in the East to Alaska in the West. We're working to update its strategic concept so that it is as effective in this century as it was in the last. At the same time, we are working with our key treaty allies Japan and Korea, Australia, Thailand, and the Philippines and other partners to strengthen our bilateral relationships as well as trans-Pacific institutions. We are both a trans-Atlantic and a trans-Pacific nation.

We will also put special emphasis on encouraging major and emerging global powers—China, India, Russia, and Brazil, as well as Turkey, Indonesia, and South Africa—to be full partners in tackling the global agenda. I want to underscore the importance of this task and my personal commitment to it. These states are vital to achieving solutions to the shared problems and advancing our priorities—nonproliferation, counterterrorism, economic growth, climate change, among others. With these states, we will stand firm on our principles even as we seek common ground.

This week, I will travel to India, where External Affairs Minister Krishna and I will lay out a broad-based agenda that calls for a whole-of-government approach to our bilateral relationship. Later this month, Secretary Geithner and I will jointly lead our new strategic and economic dialogue with China. It will cover not just economic issues, but the range of strategic challenges we face together. In the fall, I will travel to Russia to advance the bi-national presidential commission that Foreign Minister Lavrov and I will co-chair.

The fact of these and other meetings does not guarantee results, but they set in motion processes and relationships that will widen our avenues of cooperation and narrow the areas of disagreement without illusion. We know that progress will not likely come quickly or without bumps in the road; but we are determined to begin and stay on this path.

Now our global and regional institutions were built for a world that has been transformed, so they too must be transformed and reformed. As the President said following the recent G-8 [The group of eight includes: Canada, United Kingdom, France, Russia, Japan, Germany, Italy, and the United States.] meeting in Italy, we are seeking institutions that “combine the efficiency and capacity for action with inclusiveness.” From the United Nations (U.N.) to the World Bank; from the International Monetary Fund (IMF) to the G-8 and the G-20 [Group of 20 include: Argentina, Australia, Brazil,



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Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, Korea, Turkey, the United Kingdom, United States, and European Union)]; from the Organization of American States] and the Summit of the Americas (OAS) to Association of Southeast Asian Nations (ASEAN) and Asia-Pacific Economic Cooperation (APEC)—all of these and other institutions have a role to play, but their continued vitality and relevance depend on their legitimacy and representativeness and the ability of their members to act swiftly and responsibly when problems arise.

We also will reach out beyond governments because we believe partnerships with people play a critical role in our 21st century statecraft. President Obama's Cairo speech is a powerful example of communicating directly with people from the bottom up. And we are following up with a comprehensive agenda of educational exchanges, outreach, and entrepreneurial ventures. In every country I visit, I look for opportunities to bolster civil society and engage with citizens, whether at a town hall in Baghdad—a first in that country—or appearing on local popular television shows that reach a wide and young audience or meeting with democracy activists, war widows, or students.

I have appointed special envoys to focus on a number of specific challenges, including the first Ambassador for Global Women's Issues and an ambassador to build new public-private partnerships and to engage Diaspora communities in the United States to increase opportunities in their native lands. And we are working at the DOS to ensure that our government is using the most innovative technologies not only to speak and listen across borders, not only to keep technologies up and going, but to widen opportunities especially for those who are too often left on the margins. We are taking these steps because reaching out directly to people will encourage them to embrace cooperation with us, making our partnerships with their governments and with them stronger and more durable.

We have also begun to adopt a more flexible and pragmatic posture with our partners. We will not agree on every issue. Standing firm on our principles shouldn't prevent us from working together where we can. So we will not tell our partners to take it or leave it, nor will we insist that they are either with us or against us. In today's world, that's global malpractice.

Our diplomacy regarding North Korea is a case in point. We have invested a significant amount of diplomatic resources to achieve Security Council consensus in response to North Korea's provocative actions. I spoke numerous times to my counterparts in Japan, South Korea, Russia, and China, drawing out their concerns, making our principles and redlines clear, and seeking a path forward. The short-term results were two unanimous Security Council resolutions with real teeth and consequences for North Korea and then the follow-on active involvement of China, Russia, and India with us in persuading others to comply with the resolutions. The long-term result, we believe, will be a tougher joint effort toward the complete and verifiable denuclearization of the Korean Peninsula.

Cultivating these partnerships and their full range takes time and patience. It also takes persistence. That does not mean procrastinating on urgent issues. Nor is it a justification for delaying efforts that may take years to bear fruit. In one of my favorite observations, Max Weber said, "Politics is the long and slow boring of hard boards. It takes both passion and perspective." Perspective dictates passion and patience. And of course, passion keeps us from not finding excuses to do nothing.

Now I am well aware that time alone does not heal all wounds; consider the Palestinian-Israeli conflict. That is why we wasted no time in starting an intensive effort on day one to realize the rights of Palestinians and Israelis to live in peace and security in two states, which is in America's interests and the world's. We have been working with the Israelis to deal with the issue of settlements, to ease the



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living conditions of Palestinians, and create circumstances that can lead to the establishment of a viable Palestinian state. For the last few decades, American Administrations have held consistent positions on the settlement issue. And while we expect action from Israel, we recognize that these decisions are politically challenging. And we know that progress toward peace cannot be the responsibility of the U.S., Israel alone. Ending the conflict requires action on all sides. The Palestinians have the responsibility to improve and extend the positive actions already taken on security, to act forcefully against incitement, and to refrain from any action that would make meaningful negotiations less likely.

And Arab states have a responsibility to support the Palestinian Authority with words and deeds, to take steps to improve relations with Israel, and to prepare their publics to embrace peace and accept Israel's place in the region. The Saudi peace proposal, supported by more than twenty nations, was a positive step. But we believe that more is needed. So we are asking those who embrace the proposal to take meaningful steps now. Anwar Sadat and King Hussein crossed important thresholds, and their boldness and vision mobilized peace constituencies in Israel and paved the way for lasting agreements. By providing support to the Palestinians and offering an opening, however modest, to the Israelis, the Arab states could have the same impact. So I say to all sides: Sending messages of peace is not enough. You must also act against the cultures of hate, intolerance, and disrespect that perpetuate conflict.

Our second policy approach is to lead with diplomacy, even in the cases of adversaries or nations with whom we disagree. We believe that doing so advances our interests and puts us in a better position to lead with our other partners. We cannot be afraid or unwilling to engage. Yet some suggest that this is a sign of naiveté or acquiescence to these countries' repression of their own people. I believe that is wrong. As long as engagement might advance our interests and our values, it is unwise to take it off the table. Negotiations can provide insight into regimes' calculations and the possibility, even if it seems remote that a regime will eventually alter its behavior in exchange for the benefits of acceptance into the international community. Libya is one such example. Exhausting the option for dialogue is also more likely to make our partners more willing to exert pressure should persuasion fail.

With this in mind, I want to say a few words about Iran. We watched the energy of Iran's election with great admiration, only to be appalled by the manner in which the government used violence to quell the voices of the Iranian people and then tried to hide its actions by arresting foreign journalists and nationals and expelling them and cutting off access to technology. As we and our G-8 partners have made clear, these actions are deplorable and unacceptable.

We know very well what we inherited with Iran because we deal with that inheritance every day. We know that refusing to deal with the Islamic Republic has not succeeded in altering the Iranian march toward a nuclear weapon, reducing Iranian support for terror, or improving Iran's treatment of its citizens.

Neither the President nor I have any illusions that dialogue with the Islamic Republic will guarantee success of any kind, and the prospects have certainly shifted in the weeks following the election. But we also understand the importance of offering to engage Iran and giving its leaders a clear choice: whether to join the international community as a responsible member or to continue down a path to further isolation.

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Direct talks provide the best vehicle for presenting and explaining that choice. That is why we offered Iran's leaders an unmistakable opportunity: Iran does not have a right to nuclear military capacity, and we're determined to prevent that. But it does have a right to civil nuclear power if it re-establishes the confidence of the international community that it will use its programs exclusively for peaceful purposes. Iran can become a constructive actor in the region if it stops threatening its neighbors and supporting terrorism. It can assume a responsible position in the international community if it fulfills its obligations on human rights. The choice is clear. We remain ready to engage with Iran, but the time for action is now. The opportunity will not remain open indefinitely.

Our third policy approach, and a personal priority for me as Secretary, is to elevate and integrate development as a core pillar of American power. We advance our security, our prosperity, and our values by improving the material conditions of people's lives around the world. These efforts also lay the groundwork for greater global cooperation by building the capacity of new partners and tackling shared problems from the ground up.

A central purpose of the Quadrennial Diplomacy and Development Review that I announced last week is to explore how to effectively design, fund, and implement development and foreign assistance as part of a broader foreign policy. Let's face it—we have devoted a smaller percentage of our government budget to development than almost any other advanced country. And too little of what we have spent has contributed to genuine and lasting progress. Too much of the money has never reached its intended target but stayed here in America to pay salaries or fund overhead in contracts. I am committed to more partnerships with non-government organizations, but I want more of our tax dollars to be used effectively and to deliver tangible results.

As we seek more agile, effective, and creative partnerships for development, we will focus on country-driven solutions, such as those we are launching with Haiti on recovery and sustainable development and with African states on global hunger. These initiatives must not be designed to help countries scrape by; they are a tool to help countries stand on their own.

Our development agenda will also focus on women as drivers of economic growth and social stability. Women have long comprised the majority of the world's unhealthy, unschooled, and underfed. They are also the bulk of the world's poor. The global recession has had a disproportionate effect on women and girls, which in turn has repercussions for families, communities, and even regions. Until women around the world are accorded their rights—and afforded the opportunities of education, health care, and gainful employment—global progress and prosperity will have its own glass ceiling.

Our fourth approach is to ensure that our civilian and military efforts operate in a coordinated and complementary fashion where we are engaged in conflict. This is the core of our strategy in Afghanistan and Iraq, where we are integrating our efforts with international partners.

In Afghanistan and Pakistan, our goal is to disrupt, dismantle, and ultimately defeat al Qaeda and its extremist allies and to prevent their return to either country. Yet Americans often ask, why do we ask our young men and women to risk their lives in Afghanistan when al Qaeda's leadership is in neighboring Pakistan? And that question deserves a good answer: We and our allies fight in Afghanistan because the Taliban protects al Qaeda and depends on it for support, sometimes coordinating activities. In other words, to eliminate al Qaeda, we must also fight the Taliban. Now, we understand that not all those who fight with the Taliban support al Qaeda or believe in the extremist policies the Taliban pursued when in power. And today we and our Afghan allies stand ready to

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welcome anyone supporting the Taliban who renounces al Qaeda, lays down their arms, and is willing to participate in the free and open society that is enshrined in the Afghan Constitution.

To achieve our goals, President Obama is sending an additional 17,000 troops and 4,000 military trainers to Afghanistan. Equally important, we are sending hundreds of direct hire American civilians to lead a new effort to strengthen the Afghan government, help rebuild the once-vibrant agricultural sector, create jobs, encourage the rule of law, expand opportunities for women, and train the Afghan police. No one should doubt our commitment to Afghanistan and its people. But it is the Afghan people themselves who will determine their own future.

As we proceed, we must not forget that success in Afghanistan also requires close cooperation from neighboring Pakistan, which I will visit this fall. Pakistan is itself under intense pressure from extremist groups. Trilateral cooperation among Afghanistan, Pakistan, and the United States has built confidence and yielded progress on a number of policy fronts. Our national security, as well as the future of Afghanistan, depends on a stable, democratic, and economically viable Pakistan. And we applaud the new Pakistani determination to deal with the militants who threaten their democracy and our shared security.

In Iraq, we are bolstering our diplomacy and development programs while we implement a responsible withdrawal of our troops. Last month our combat troops successfully redeployed from towns and cities. Our principal focus is now shifting from security issues to civilian efforts that promote Iraqi capacity—supporting the work of the Iraqi ministries and aiding in their efforts to achieve national unity. And we are developing a long-term economic and political relationship with Iraq as outlined by the U.S. and Iraq Strategic Framework Agreement. This agreement forms the basis of our future cooperation with Iraq and the Iraqi people, and I look forward to discussing it and its implementation with Prime Minister Maliki.

Our fifth approach is to shore up traditional sources of our influence, including economic strength and the power of our example. We renewed our own values by prohibiting torture and beginning to close the Guantanamo Bay detention facility. And we have been straightforward about our own measure of responsibility for problems like drug trafficking in Mexico and global climate change. When I acknowledged the obvious about our role in Mexico's current conflict with narco-traffickers, some were critical. But they're missing the point. Our capacity to take responsibility and our willingness to change, to do the right thing, are themselves hallmarks of our greatness as a nation and strategic assets that can help us forge coalitions in the service of our interests.

That is certainly true when it comes to key priorities like nonproliferation and climate change. President Obama is committed to the vision of a world without nuclear weapons and a series of concrete steps to reduce the threat and spread of these weapons, including working with the Senate to ratify the follow-on *Strategic Arms Reduction Treaty* (START) agreement and the *Comprehensive Test Ban Treaty*, taking on greater responsibility within the *Non-Proliferation Treaty Framework*, and convening the world's leaders here in Washington next year for a nuclear summit. Now we must urge others to take practical steps to advance our shared non-proliferation agenda.

Our Administration is also committed to deep reductions in greenhouse gas emissions, with a plan that will dramatically change the way we produce, consume, and conserve energy and in the process spark an explosion of new investment and millions of jobs. Now we must urge every other nation to meet its obligations and seize the opportunities of a clean energy future.

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We are restoring our economy at home to enhance our strength and capacity abroad, especially at this time of economic turmoil. Now, this is not a traditional priority for a Secretary of State; but I vigorously support American recovery and growth as a pillar of our global leadership. And I am committed to restoring a significant role for the DOS within a whole-of-government approach to international economic policy-making. We will work to ensure that our economic statecraft—trade and investment, debt forgiveness, loan guarantees, technical assistance, decent work practices—[supports] our foreign policy objectives. When coupled with a sound development effort, our economic outreach can give us a better form of globalization, reducing the bitter opposition of recent years and lifting millions more out of poverty.

And finally, I am determined to ensure that the men and women of our Foreign and Civil Service have the resources they need to implement our priorities effectively and safely. That's why I appointed for the first time a Deputy Secretary for Management and Resources. It's why we worked so hard to secure additional funding for DOS and the U.S. Agency for International Development (USAID). It's why we have put ourselves on a path to double foreign assistance over the next few years. And it's why we are implementing a plan to dramatically increase the number of diplomats and development experts.

Just as we would never deny ammunition to American troops headed into battle, we cannot send our civilian personnel into the field under equipped. If we don't invest in diplomacy and development, we will end up paying a lot more for conflicts and their consequences. As Secretary Gates has said, diplomacy is an indispensable instrument of national security, as it has been since Franklin, Jefferson, and Adams won foreign support for Washington's army. Now all of this adds up to a very ambitious agenda. But the world does not afford us the luxury of choosing or waiting. As I said at the outset, we must tackle the urgent, the important, and the long-term all at once.

We are both witness to and makers of significant change. We cannot and should not be passive observers. We are determined to channel the currents of change toward a world free of violent extremism, nuclear weapons, global warming, poverty, and abuses of human rights, and above all, a world in which more people in more places can live up to their God-given potential. The architecture of cooperation we seek to build will advance all these goals, using our power not to dominate or divide but to solve problems. It is the architecture of progress for America and all nations.

More than 230 years ago, Thomas Paine said, "We have it within our power to start the world over again." Today, in a new and very different era, we are called upon to use that power. I believe we have the right strategy; the right priorities; the right policies; we have the right President; and we have the American people, diverse, committed, and open to the future.

Now all we have to do is deliver.

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# **Strengthening the Transatlantic Alliance: An Overview of the Obama Administration's Policies in Europe**

**By**  
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**Assistant Secretary of State Bureau of European and Eurasian Affairs**

[The following are excerpts from a statement before the Subcommittee on Europe of the House Foreign Affairs Committee, Washington, D.C., June 16, 2009.]

President Obama, Secretary Clinton, and I are committed to reinvigorating and deepening the traditional relationships of confidence and trust we share with Europe. Europe is eager to reciprocate and increase the breadth of our close relationship, one that is based on shared values, including an enduring commitment to democracy, transparency, accountability, respect for human rights, and the rule of law. Today, I will highlight some examples of what the United States (U.S.) and Europe have achieved and what our policy objectives are going forward. To do that, I will touch on three strategic priorities for the Administration in Europe: European engagement on global challenges; a Europe that is whole, free, and at peace; and a renewed relationship with Russia.

Many of our European partners are among the most prosperous, democratic, and militarily capable countries in the world. Working with our European allies both bilaterally and multilaterally will remain critical to success in tackling the many global challenges we face together. The U.S. cooperates with Europe on all of the most important global challenges, including restoring growth and confidence in the world financial system, fighting poverty and pandemic disease, countering terrorism and nuclear proliferation, advancing peace in the Middle East, promoting human rights, and combating trafficking in persons. Still, there are other areas where our cooperation with Europe needs to increase. We can and must do more to address challenges like ongoing operations in Afghanistan and Iraq, instability in Pakistan, Iranian and North Korean nuclear weapons programs, energy security, and climate change.

As President Obama has said, The United States is ready to lead, and we call upon our partners to join us with a sense of urgency and common purpose.

## **Critical Partnerships**

One of the Administration's most important priorities will be to continue the historic American project of helping to extend stability, security, prosperity, and democracy to all of Europe and Eurasia. The objective of all Presidents since World War II, both Democratic and Republican, has been to work with Europe to realize a joint vision of a Europe whole, free, and at peace. One of the ways the United States seeks to further this goal is through our critical partnerships in Europe—which include the North Atlantic Treaty Organization (NATO), the European Union (E.U.), and the Organization for Security and Cooperation in Europe (OSCE).

## **The North Atlantic Treaty Organization**

In April, NATO, the most successful alliance in history, celebrated its 60th Anniversary. Allies initiated a discussion of the Alliance's future and tasked the Secretary General to launch a review of NATO's Strategic Concept to insure that NATO is both prepared and equipped to meet the new



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security challenges of the 21st Century, including extremism, terrorism, proliferation, insurgency, failed states, piracy, and cyber threats.

Also at the Summit, Allies welcomed Albania and Croatia as NATO's newest members, reinforcing the message that NATO's door remains open. The United States joined Allies in welcoming France's return, after over 40 years, to the integrated NATO military command structure. France's full participation in NATO is a symbol of a renewed European commitment to NATO. Finally, Allies selected former Danish Prime Minister Rasmussen as the next Secretary General of NATO, to lead the reform of the Alliance so that it retains the flexibility and resources required to meet the new challenges of our time.

The United States also remains unequivocally committed to our Article 5 commitment; we will not waiver from the enduring premise that an attack against one is an attack against all. As NATO Heads of DOS and government reaffirmed at the Summit in Strasbourg-Kehl, "the strong collective defense of our populations, territory, and forces is the core purpose of the Alliance and remains our most important security task." We will continue to support adequate planning, exercises, and training to ensure NATO has the capabilities to remain as relevant to the security of Allied populations in the 21st century as it was in the 20th century.

Some of the most pivotal outcomes of the Strasbourg-Kehl Summit dealt with Afghanistan. On March 27, the President announced a new strategy for ensuring vital U.S. national interests in Afghanistan and Pakistan. This strategy for the first time integrates our civilian and military efforts in both countries, with the goal of disrupting, dismantling, and defeating al Qaeda and eliminating its safe-havens. The Alliance unanimously endorsed this new strategy in Strasbourg. While the Summit was not a pledging conference, Allies and partners committed to provide 3000 new forces for Afghan election security and over a thousand new trainers, troops, and civilians to support this new strategy. These new contributions will support political growth and security transformation in Afghanistan and contribute to regional stability.

Despite all of these positive developments, I do not wish to understate the enormity of the challenges we face or the consequences of failure. Although Allies and Partners currently contribute over 32,000 troops to the NATO-led International Security Assistance Force in Afghanistan (ISAF), we look forward to their additional contributions in the form of troops, civilian assistance, or funds. The United Kingdom (U.K.), Germany, Canada, France, Italy, the Netherlands, Poland, and Turkey provide especially valuable support to the Afghanistan mission. Allied troops are deployed throughout Afghanistan, although some nations continue to impose "caveats" that restrict where their troops can go and what missions they can conduct. Our commanders in the field have asked for maximum flexibility in deploying Allied troops assigned to ISAF, and we continue to press Allies to eliminate caveats. The U.S. currently provides approximately 29,000 troops to ISAF. Most of our additional deployments will also come under ISAF.

We recognize that there is not a purely military solution to the conflict and that we must complement the security NATO provides by increasing international civilian assistance to Afghanistan. In partnership with the National Security Council (NSC), Special Representative for Afghanistan and Pakistan Richard Holbrooke is leading the overall effort for the Administration and has assembled an interagency team in Washington to coordinate with our military and to implement the President's new strategy more effectively.



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## European Union

Another increasingly important partnership for the U.S. is with the E.U., which has become one of our most crucial partners in addressing regional and global challenges in Europe and around the world. Our priorities for U.S. and E.U. cooperation cover almost all major U.S. foreign policy concerns including: energy security, climate change, Afghanistan, Pakistan, Iran, and the Middle East. The President raised each of these issues with his European counterparts at the April 5, 2009, E.U. Summit in Prague. He also assured them that the United States will be a ready partner on all these issues.

We are listening to our European partners and consulting with them closely but also calling on them to bear their fair share of responsibilities for defending and promoting our common interests. During the Swedish E.U. Presidency that will begin on July 1, 2009, we look forward to continued close, results-oriented U.S. and E.U. cooperation. In July 2009, I meet with counterparts from the 27 E.U. member states, the European Commission, and the Council Secretariat.

The U.S. and the E.U. have the largest economic relationship in the world. Together, we generate 60 percent of world gross domestic product (GDP). We will continue to work with the E.U. to promote the growth of our own market and support free trade and open investment around the world through the Transatlantic Economic Council. We will also cooperate with the E.U. to mitigate the effects of climate change, an issue that is now front and center in our foreign policy. The Department's Special Envoy for Climate Change, Todd Stern, will work with our partners in Europe and around the globe to craft environmentally sound, scientifically driven, and pragmatic solutions to the world's toughest environmental challenges and to lay the foundation for a successful outcome at this December's United Nations (U.N.) climate conference in Copenhagen.

The E.U. also shares our concerns on security issues, such as Iran, including its nuclear activities, support for terrorism, and the domestic human rights situation. The E.U.-3 (France, Germany, and the United Kingdom) have worked closely with us in the P5+1 (the permanent members of the U.N. Security Council and Germany). The E.U. High Representative for the Common Foreign and Security Policy Javier Solana has served as the representative of the P5+1 in direct negotiations with the Iranians on the nuclear issue. In addition to U.N. Security Council resolutions, the E.U. has also implemented additional autonomous sanctions intended to press the Iranians to come to the negotiating table.

The U.S. and the E.U. are coordinating closely on providing significant financial, political, and military support for Afghanistan and Pakistan. Among other priorities, we are working to alleviate the refugee situation in Pakistan and to monitor upcoming elections and train police in Afghanistan.

The E.U. is also a crucial partner in our efforts to bring peace to the Middle East. As the largest donor to the Palestinian people, the E.U. worked closely with us earlier this year on the resolution of the conflict in Gaza. It has consistently been a strong partner for us within the Quartet (the U.S., Russia, the E.U., and the U.N.). The E.U. has offered to reactivate and expand its dormant Gaza border monitoring mission while maintaining an ongoing police and rule of law training mission in the West Bank designed to complement our own efforts to improve the capabilities of the Palestinian security forces.

Energy is increasingly at the heart of U.S. and European security concerns. The mutual focus on energy independence and new energy technologies, combined with the ongoing Russia and the Ukraine gas issues, energy price volatility, the financial crisis, and ongoing climate negotiations, necessitates deeper transatlantic energy cooperation. We are committed to working with the E.U.

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to develop access to alternative sources of gas, such as the Southern Corridor, which could tap into Caspian and Middle Eastern supplies, delivering gas to many of Europe's most vulnerable markets.

European energy security is strengthened when prices for natural gas, a key strategic commodity, are determined by market rather than monopoly forces. Increasing such market efficiencies requires greater competition in European gas markets through increased diversified supplies of gas from the Caspian region and Iraq, as well as via liquefied natural gas; interconnections of European natural gas networks; and application of European competition policy to prevent manipulation of gas prices. The President appointed Ambassador Richard Morningstar to be Special Envoy for Eurasian Energy and has asked him to take the lead in coordinating our work with Europe to enhance and strengthen our cooperation to address European energy security.

### **Organization for Security and Cooperation in Europe**

The OSCE is an important regional organization for promoting security defending human rights and supporting democratic development throughout Europe and Eurasia. Our challenge is to reinvigorate the OSCE as a key promoter of fundamental freedoms, human rights, and civil society as necessary components of security in the region. The Secretary will initiate a structured dialogue on priority security issues when she attends the informal OSCE ministerial in Corfu later this month.

### **Group of Twenty**

We also continue to work closely with our European partners through the Group of 20 (G-20), which includes:

Argentina	Australia	Brazil	Canada	China
France	Germany	India	Indonesia	Italy
Japan	Mexico	Russia	Saudi Arabia	South Africa
Korea	Turkey	The United Kingdom	The United States	The European Union

At the April 2009 G-20 London Summit, the U.S. and the E.U. committed to steps that will address the global financial crisis. We are now following through on those commitments, which include strengthening international financial institutions, including the International Monetary Fund and the Multilateral Development Banks, in preparation for the next meeting of G-20 leaders in Pittsburgh this September 2009. Together with the other G-20 participants, we are resisting protectionism and promoting global trade and investment.

### **Europe: Whole, Free, and at Peace**

Over two decades ago, the U.S. set out a vision for working with our European allies and partners on a Europe whole, free, and at peace, extending the zone of peace and prosperity throughout all of Europe. Many Central and Eastern European countries are now full members of NATO and the E.U. This reality is one of Europe's most significant post-Cold War accomplishments. Yet we still have unfinished business in extending that vision and prosperity to Europe's south and east. Critical challenges remain, and only through collective action will we continue to make progress.

The global economic crisis has created additional pressures on our European friends and allies and particular challenges for accomplishing our shared objectives in Europe and around the world. Europe's stability and prosperity affect its strength as a global partner of the U.S. Economic uncertainty may also aggravate Europe's internal questions of identity, including those related to immigration, race, globalization, and trade. The economic crisis has hit certain parts of Europe especially hard, and we may very well see conditions get worse before they get better. Still, we must

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not allow this crisis to derail the critical work of pursuing a Europe whole, free, and at peace. Our collective security objectives will not be reached by decreasing capacities or turning increasingly inward. On the contrary, we must continue to make the case to our friends and allies that, despite the devastating effects of the economic crisis, the many global and security challenges we face are too critical to ignore.

## **Turkey**

Turkey is crucial to success in many of our most important foreign policy priorities, including:

- Stability and prosperity in Afghanistan, Pakistan, and Iraq
- Achieving a lasting peace in the Middle East
- Securing European energy diversity
- Resolving frozen conflicts and regional disputes

We support Turkey's aspirations for eventual membership in the E.U. as Turkey advances reforms that will make it an even stronger partner. We encourage the E.U. to reach out to Turkey to demonstrate real prospects for membership. Doing so will serve as a catalyst for additional internal reforms. We are also encouraging Turkey to make additional needed reforms required to meet membership criteria, reforms that will strengthen Turkey's democracy and economy. We encourage Turkey to take steps that will bolster its relations with its neighbors by re-opening the Halki Seminary and normalizing relations with Armenia, including a candid exploration of the two countries' sometimes tragic history. We must also work to resolve outstanding disputes in the Aegean, to reduce prospects for heightened military tensions in a strategic area. Turkey is also at the center of U.S. and E.U. efforts to diversify European gas supplies by expanding a "Southern Corridor" of energy infrastructure to transport Caspian (and eventually Iraqi) gas to Europe.

## **Armenia**

The U.S. seeks to help Armenia strengthen its security and prosperity by settling Armenia's conflict with Azerbaijan over Nagorno-Karabakh and by encouraging Turkey and Armenia to normalize their relations. We believe these two processes should proceed separately, but in parallel, and at different speeds. Armenia and Turkey announced in their April 22, 2009, joint statement they had "agreed on a comprehensive framework for the normalization of their bilateral relations." This represents an historic opportunity as Turkey and Armenia are closer than ever before to normalizing relations and re-opening their border. Meanwhile, the U.S. has helped invigorate progress towards a Nagorno-Karabakh settlement through its mediation as a co-chair of the OSCE's Minsk Group. The meetings of Armenian President Sargsian and Azerbaijani President Aliyev on May 7, 2009 in Prague and June 4, 2009 in St. Petersburg cleared the way to accelerate efforts to finalize a framework agreement by the end of 2009. We also seek to advance democratic and market economic reform in Armenia, including through the Millennium Challenge Corporation Compact with Armenia.

## **Azerbaijan**

Azerbaijan is an important partner of the U.S. on regional security (especially counterterrorism) and on helping our European allies diversify their supplies of natural gas. Azerbaijan also exports nearly one million barrels of oil per day to global markets via the Baku-Tbilisi-Ceyhan pipeline, free from geographic chokepoints (such as the Turkish Straits and the Straits of Hormuz) and from monopolistic pressures. As noted above, the U.S. has helped generate new progress toward a settlement of the Nagorno-Karabakh conflict. Our U.S. Co-chair of the OSCE's Minsk Group,

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Deputy Assistant Secretary Matt Bryza, joined his Russian and French colleagues in facilitating five meetings between Presidents Sargsian and Aliyev over the past year. Secretary Clinton has been personally engaged in a series of discussions with Azerbaijani and Armenian leaders, including meetings with Foreign Ministers Mammadyarov and Nalbandian in Washington, D.C. on May 5, 2009. I made my first trip to the Caucasus last week, where I visited Armenia, Azerbaijan, and Georgia to pursue our objectives in the region.

## **Cyprus**

We will also continue to support the current negotiations in Cyprus, led by the two Cypriot communities under the auspices of the U.N. Good Offices Mission. Resolution of the Cyprus problem will have a tremendous impact on the region by:

- Strengthening peace, justice, and prosperity on the island
- Advancing Turkey's E.U. accession
- Improving NATO and E.U. cooperation
- Removing a source of friction between two NATO Allies, Greece and Turkey

As President Obama said, we are willing to offer all the help sought by the parties as they work toward a just and lasting settlement that reunifies Cyprus into a bizonal and bicomunal federation.

## **Greece**

Greece is an important NATO Ally; and the people-to-people ties between our countries run deep, sentiments the President reiterated to Prime Minister Karamanlis when they met in April. We look forward to working with Greece on a host of global challenges ranging from piracy to non-proliferation. We also recognize the role Greece plays in important regional issues, including in the Balkans, the Aegean, and Cyprus, and through its current chairmanship of the OSCE. We support Greece's application for the Visa Waiver Program; and together, we are moving the process forward.

## **Balkans**

We are showing renewed leadership in the Balkans where more than a decade after Western interventions, the forces of democracy, openness, and modernity still struggle against backward-looking ethnic nationalism and intolerance. In concert with our European partners, we are intensifying our engagement with the region's leaders and pressing for reforms that will advance their states toward the European mainstream. The Administration places great importance on completing the task of fully integrating the Balkan region into the Euro-Atlantic community. However, much work remains to secure a peaceful and prosperous future for the region.

## **Macedonia**

Supporting Macedonia's integration into NATO and the E.U. remains a vital element in our efforts to promote peace and stability in the Balkans. As Allies reaffirmed at the Strasbourg-Kehl Summit, Macedonia will join NATO as soon the name issue is resolved. We would like to see this issue resolved soon. To that end, and in keeping with long standing U.S. policy, we support a mutually acceptable solution to Macedonia's name through the ongoing U.N. process led by Ambassador Nimetz. Deputy Secretary Steinberg delivered that message personally during his visits to Athens and Skopje in May 2009.

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## **Bosnia and Herzegovina**

In his recent trip to Bosnia and Herzegovina, Vice President Biden made clear our continuing commitment to help the country overcome its wartime legacy and transition to a modern state that can join NATO and the E.U. To do so, Bosnia's leaders must abandon divisive rhetoric and actions that threaten or violate the Dayton Peace Agreement, which remains the foundation for stability. Reforms that have been achieved must be protected; state-level institutions must be strengthened; and attempts to undermine them must stop.

Bosnia's leaders must work across ethnic lines to reach compromises on governmental reforms that will enable the country to meet its Euro-Atlantic aspirations. Recently, while in Bosnia, Vice President Biden and the E.U. High Representative for Common Foreign and Security Policy Javier Solana stressed that Bosnia's future is in Europe and it is natural that the E.U. will take on a greater role in guiding the reform process consistent with E.U. accession requirements. But before the Office of the High Representative can transition to an E.U. Special Representative, the so called "five plus two" reform agenda of outstanding Dayton implementation and state building objectives and conditions must be completed.

## **Serbia**

The Vice President also met with Serbian President Tadic, Prime Minister Cvetkovic, and Defense Minister Sutanovac to stress the Administration's intent to reinvigorate the relationship. He made clear that, despite our differences over Kosovo, we have extensive common interests and the U.S. stands ready to support Serbia as it moves towards full integration into European and Euro-Atlantic institutions. This includes strengthened ties and membership in the E.U. and closer cooperation with NATO, including eventual membership when Serbia is ready. The Vice President stressed that Serbia must uphold its commitment to work with the international community on practical humanitarian matters in Kosovo that will help improve the lives of all of Kosovo's citizens, including ethnic Serbs. Belgrade's full cooperation with the E.U. rule of law mission remains a key element in this. Vice President Biden also emphasized that we expect Serbia to continue its efforts to capture and extradite to The Hague the remaining war crimes fugitives Ratko Mladic and Goran Hadzic.

## **Montenegro**

Montenegro is a new democracy, strongly committed to integration into Euro-Atlantic institutions, including NATO and the E.U. In his May 2009 trip to Montenegro, Deputy Secretary Steinberg reaffirmed our strong support for Montenegro's NATO and E.U. aspirations and encouraged the government to continue to play a stabilizing role in the region. He also stressed the need to step up efforts to strengthen rule of law, as well as transparency and accountability in government.

## **Kosovo**

Kosovo's success as an independent state within its current borders remains a critically important factor for stability in the Balkans. June 15, 2009, Kosovo celebrated the one-year anniversary of the establishment of its constitution; and it has made tremendous progress during the sixteen months since its independence. Kosovo's independence is irreversible. To date, sixty countries from around the world have formally recognized Kosovo. The shareholders of the International Monetary Fund and World Bank also recently voted to admit Kosovo as a member. Membership in these international financial institutions will help Kosovo's efforts to achieve economic stability and prosperity for the benefit of all its citizens.



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Kosovo's leadership is upholding its commitments to build a multi ethnic democracy, with far-reaching protections for Kosovo Serb and other minority communities. The government has demonstrated Kosovo is willing and able to play a constructive role as a responsible member of the international community. Of course, much work remains as Kosovo's leaders build for the future. The U.S. will support Kosovo as it re-doubles efforts to build governing capacity; develop a sound economy and environment for investment; and maintain momentum in creation of a robust, multi-ethnic democracy.

## **Eurasia**

Furthermore, in promoting a peaceful, united, and democratic Europe and Eurasia, we must strongly support the sovereignty and independence of all European states, including those that emerged out of the former Soviet Union.

## **Georgia**

The U.S. strongly supports Georgia's territorial integrity and sovereignty and its commitment to further democratic reform. We must work with our international partners, including the U.N., OSCE, and E.U. to improve the security and humanitarian situation throughout Georgia and to increase international access to the separatist regions of South Ossetia and Abkhazia. We will maintain solidarity with the international community in refusing to recognize the independence of these separatist regions of Georgia. We regret that Russia blocked the extension of the OSCE and U.N. missions in Georgia. E.U. monitors play a crucial role in defusing tension along the administrative border between South Ossetia and the rest of Georgia. On June 22, 2009, Secretary Clinton and Foreign Minister Vashadze will chair the inaugural meeting of the U.S. and Georgia Strategic Partnership Council, based on the charter our two countries concluded in January 2009, which reaffirms our commitment to deepen cooperation with Georgia.

## **Ukraine**

The U.S. is committed to insuring a prosperous, democratic, and independent Ukraine by helping consolidate its democratic institutions and continue reforms. It is important for Ukraine's leaders to work together to address its serious economic crisis as well, including taking all necessary steps to implement the \$16.4 billion IMF Standby Program.

The U.S. strongly supports the right of both Ukraine and Georgia to pursue their membership aspirations in NATO. To achieve NATO membership, both countries must complete rigorous reforms to meet NATO's performance-based standards. Under the auspices of the NATO-Ukraine and NATO-Georgia Commissions, allies, including the U.S., are working with both countries to provide concrete advice, assistance, and practical support to help guide these efforts.

## **Moldova**

A country that has been a concern recently is Moldova, where repeat parliamentary elections will take place after the parliament failed to elect a president. We will urge the Government of Moldova to conduct the elections in a fair and transparent manner, seriously addressing concerns raised about the conduct of the previous parliamentary elections, including accurate voter lists and a free and independent media. This would increase confidence in Moldova's democratic institutions and demonstrate that Moldova remains on a path of reform and democratic development. We will continue to work for a negotiated settlement of the separatist conflict in the Transnistria region that provides for a whole and democratic Moldova and the withdrawal of Russian forces.



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## Belarus

In Belarus, we will encourage the regime to emerge from isolation and to respect the Belarusian people's basic rights and democratic aspirations through undertaking genuine political and economic reform. Our assistance program in Belarus complements these goals.

## Russia

As we work to promote security, prosperity, and democracy across Eurasia, the Obama Administration is committed to reinvigorating our relations with Russia and looks forward to building a relationship based on respect and mutual cooperation. President Obama and President Medvedev met in London on April 1, 2009, where they reaffirmed that Washington and Moscow share common visions of many of the threats and opportunities in the world today. The two presidents' joint declaration recognized that more unites us than divides us. The task is now to translate that sentiment into actual achievements as we look ahead to a July 2009 summit in Moscow.

We also share major common interests and will work together on these important areas. In this regard, Presidents Obama and Medvedev agreed to develop a robust agenda for bilateral cooperation, agreeing to work together on a variety of issues, including:

- Reducing strategic nuclear weapons and enhancing nuclear security
- To cooperate on such issues as:
  - Counterterrorism
  - Counternarcotics
  - Iran
  - North Korea
  - The environment
  - Strengthening civil society
  - The global economic crisis

We also appreciate the Russian decision to allow non-lethal transit through their territory to assist international efforts in Afghanistan, a mission that has clear security implications for Russia. An area that offers the U.S. and Russia more common ground on which to constructively work together in the future.

Another part of that agenda will be the negotiation of a follow-on agreement to the *Strategic Arms Reduction Treaty* (START), which is set to expire on December 5, 2009. So far, there have been two rounds of productive meetings in May 2009 and June 2009. The negotiators were charged with reporting their progress to the Presidents during their meeting in Moscow in July 2009.

Russia and the U.S. bear a special responsibility for the future safety of the world. We are working very hard together to find practical solutions, including through the U.N. Conference on Disarmament, the Comprehensive Test Ban Treaty, Cooperative Threat Reduction programs, and the Global Initiative to Combat Nuclear Terrorism.

One of the outstanding issues we face is the drift in relations between Russia and the NATO alliance, as well as the weakening of European security structures triggered by Russia's suspension of its implementation of the *Treaty on Conventional Armed Forces in Europe*. At the OSCE ministerial

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in Corfu, we will discuss ways to strengthen European security. We are pleased that the NATO-Russia Council will also meet at the ministerial level on the margins to resume dialogue and refocus on areas of shared interest. The Secretary spoke about an “all weather” forum for dialogue where areas of common interest and grave importance to our shared and global security can always be discussed. We welcome a dialogue with Russia in the OSCE about its ideas for a new European security architecture. We remain committed to working through and improving existing structures and mechanisms for joint cooperation on European security. The OSCE will serve as an important forum for such a discussion, as the sole multilateral organization in Europe that brings us all together on equal terms.

At the same time that we reinvigorate our relations with Russia, we will not abandon our principles or ignore concerns about democracy and human rights. While we look forward to forming a more cooperative partnership with Russia, we have no illusions that this will be easy or that we will not continue to have differences. The U.S. will not recognize a Russian sphere of influence. The U.S. will also continue to support the sovereignty and territorial integrity of Russia’s neighbors. They have the right to make their own decisions and choose their own alliances. The U.S. and Russia can still work together where our interests coincide while seeking to narrow our differences in an open and mutually respectful way.

### **Western Europe**

As we recognize the many challenges that we face in spreading security, prosperity, and democracy to South and Eastern Europe, it is also important that we recognize and continue to work with our traditional friends and allies in Europe’s West. The U.S. enjoys some of its closest and most productive partnerships with the countries in this region. President Obama made two visits to reinforce these relationships in the first five months of his presidency. Our Allies throughout Europe share an enduring set of common interests and values with us. They also possess the ability to bring real assets to the table diplomatic, financial, and military for joint action to promote and defend those interests. The U.S. is grateful to all of these countries and our NATO partners in other regions such as Australia for their significant contributions to the joint mission in Afghanistan and looks forward to continuing our close cooperation as we begin implementing the new strategy there. Sixty years ago, our nations came together to fight a common enemy that threatened the freedom of the citizens of Europe. Today, we continue to work together with these important Allies on many new and emerging threats.

### **Global Cooperation**

Finally, let me address several specific issues, some old and others very new, which pose significant challenges to the U.S. and our transatlantic friends. As President Obama said on his first trip to Europe, “America can’t meet our global challenges alone, nor can Europe meet them without America.”

### **Foreign Assistance**

An integral part of working with our European partners on global issues is being a good partner ourselves. Specifically, this involves making good on our foreign assistance commitments and maintaining them in the years to come. The job we started after the fall of the Berlin Wall to help nurture democratic and economic reform among the states of the former Soviet Union is far from over. Many countries in Central and Eastern Europe have been phased out of foreign assistance, primarily because of their membership in the E.U. or NATO. Countries that are still receiving our help in making the democratic transition arguably present an even tougher challenge today, especially during

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a global economic downturn. U.S. foreign assistance invests in American security by contributing to European security and helping build stable and full participants in the transatlantic community.

Our assistance is essential to bolstering the efforts of still-fragile reformers like Ukraine, Georgia, and Moldova to integrate into Euro-Atlantic institutions. In the Balkans, our fiscal year 2010 request to Congress represents a re-balancing of aid levels:

- To maintain robust funding for Kosovo
- To increase aid to consolidate progress in Albania and Macedonia
- To strengthen reforms in Serbia
- To ensure that Bosnia and Herzegovina gets back on the path to Euro-Atlantic integration

We are seeking additional resources to prevent or reverse further democratic backsliding in places like Belarus, Azerbaijan, and Armenia. In Russia, we focus on programs to promote democratic development and human rights to enhance cooperation with Moscow to counter nuclear proliferation, terrorism, and global health scourges.

Our military assistance to Europe and Eurasia, for which we seek to restore funding following sharp cuts in 2008 and 2009, pays us dividends by building new capabilities in countries that support our security operations abroad, including Afghanistan, and by improving the professionalism of European forces and developing their interoperability with NATO.

### **Public Diplomacy**

One of the most important components of global cooperation in the 21st century is our Public Diplomacy strategy. That involves being able to effectively communicate with European governments and publics in a way that creates an understanding of our policy objectives, lays the groundwork for concerted action with European partners beyond Europe's borders, and engages Europe's young generation of "first time voters" to create a sense of common values and purpose with the U.S. To accomplish this, the Department is engaged in rapid and targeted delivery of policy messages:

- To meet ever-shorter news cycles
- Developing innovative uses of new media to engage youth audiences
- Expanding programs that invite dialogue—listening as well as talking
- Creating new exchange programs that allow us to engage Europe's future leaders
- In expanding our use of our soft power tools, like culture and sports, to open doors and begin dialogue

### **Engagement with Muslims in Europe**

Another crucial aspect of our strategy is to engage constructively with Muslim populations in Europe. As President Obama said during his trip to Turkey in April 2009 and in his Cairo speech earlier this month, the U.S. seeks a new beginning with Muslims around the world, one based on:

- Mutual interest
- Mutual respect
- The principles of justice, progress, tolerance, and the dignity of all human beings

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The Department's engagement efforts in Europe seek to capitalize on these interests by:

- Improving understanding of the U.S.
- Helping to build networks of European and American Muslims
- Facilitating improved inter-community relations
- Supporting peaceful grassroots organizations, with a particular focus on youth outreach

Our approaches are tailored to the different contexts and the variety of Muslim communities in different countries and include engagement with students and community groups, internships, mentoring, exchanges, and many others.

### **Holocaust Issues**

Yet another aspect of our global cooperation involves engaging the countries of Europe to help those still-living survivors of one of the worst genocides in the history of the world, the Holocaust, achieve some belated justice. The upcoming Conference on Holocaust Era Assets offers us that opportunity. Former Deputy Treasury Secretary Stuart Eizenstat will head the U.S. delegation to the Prague Conference which will address five main themes: immovable (real) property restitution and compensation, Nazi-confiscated art, Holocaust education and remembrance, recovery of Judaica, and social welfare needs of Holocaust survivors.

### **Counterterrorism**

Another critically important area where the U.S. and Europe work increasingly well together is counterterrorism. Steps taken by European governments, often in concert with us, and ongoing counterterrorism relationships with European countries have had a direct and positive impact on the security of the continental U.S. and our interests overseas. We cooperate closely on law enforcement, cyber security, intelligence gathering and information exchange, as well as on international transport security and border control, and on dealing with the consequence of terrorist attacks. We also work closely with European governments to freeze assets and designate individuals and organizations with financial links to terrorists.

### **Conclusion**

The U.S. and Europe share the important responsibility of leading the international effort to address our most pressing global challenges. We also share core values, human rights, democracy, and the rule of law, a strong foundation as we work together on our global agenda of advancing these core values as well as security, prosperity, and stability to the entire European continent and around the world. We must continue to embrace this responsibility to lead and recognize that our results are best, and our partnership strongest, when we work together.

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# President Obama Orders Broad Review of Export-Control Regulations

By  
**William Matthews**  
*Defense News Contributing Author*

[The following article originally appeared in *Defense News*, 14 August 2009]

After years of battling complicated, costly and constrictive export controls with limited success, the U.S. defense industry may have found a new ally: President Barack Obama. The president has ordered a “broad-based interagency” review of U.S. export control regulations, including those that govern dual-use and defense items, the White House announced August 13, 2009.

The aim of the review is to consider reforms to the system to enhance national security, foreign policy and economic security interests of the United States, said a statement released by the White House.

“This is a very welcome development,” said Marion Blakey, president of the Aerospace Industries Association (AIA). The group has spent years pressing the Department of State (DOS), Department of Commerce (DOC), and the Congress for export control reforms. Among other things, the AIA rails about the *U.S. Munitions List*, which restricts the export of thousands of items. Restrictions apply to items with obvious military utility, such as ballistic missiles, but also to those that are widely available on the world market, such as rivets, wires and bolts. The list also restricts exports of technology that was originally developed for the military but now is commonly used for civilian purposes, said Remy Nathan, AIA’s vice president for international affairs.

## **Available to Civilians**

Certain GPS receivers, for example, are among the controlled items, Remy Nathan said. Although invented for military use with the Global Positioning Satellite system, such receivers now are used by civilians for the following:

- Direction finders while driving, hiking or boating
- For surveying and map-making
- For tracking individuals, vehicles, and wildlife
- For other purposes

Similarly, night vision technology invented for the military is available to civilian motorists, pilots and law enforcement agents.

Commercial satellites are a particular sore point for the AIA. Export restrictions tightened in 1999, when satellites were put on the munitions list. The move prompted foreign countries and companies to develop their own satellite industries, cutting the U.S. market share from more than 70 percent to 25 percent by 2005, according to the Center for Strategic and International Studies.

Details about Obama’s export rules review are scant. A senior administration official said August 14, 2009, the review “begins today” and will involve representatives from the DOS, Department of Defense (DOD), and DOC. No date has been set for the review to be completed. The current “crisis



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in the economy” and a need for U.S. industries to remain competitive in the world marketplace are key factors prompting the review, he said.

### **Move Beyond Cold War**

In the August 13, 2009 statement, the White House said U.S. export control rules are “rooted in the Cold War era of over fifty years ago and must be updated to address the threats we face today and the changing economic and technological landscape.” That may suggest that Obama favors an export rules overhaul. But Bill Reinsch, president of the National Foreign Trade Council, is unconvinced.

The president’s announcement is good news because export control reform is long overdue, Reinsch said. But export control reviews are frequently announced, occasionally begun, and never completed. The really good news will be when it is finished.

Reinsch headed export administration at the DOC during the Clinton administration.

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# **Defense Exports Foreign Military Sales Program Needs Better Controls for Exported Items and Information for Oversight**

**By  
The United States Government Accountability Office**

[The following are excerpts from a report to the Committee on Foreign Affairs, House of Representatives, May 2009. The full report is available at: [www.gao.gov/new.items/d09454.pdf](http://www.gao.gov/new.items/d09454.pdf).]

## **Why the Government Accountability Office Did This Study**

In fiscal year (FY) 2008, the Foreign Military Sales (FMS) program sold over 36 billion dollars in defense articles and services to foreign governments. The Department of State (DOS), Department of Defense (DOD), and Homeland Security (DHS) all have a role in the FMS program. In 2003, the Government Accountability Office (GAO) identified significant weaknesses in FMS control mechanisms for safeguarding defense articles transferred to foreign governments. In 2007, GAO designated the protection of technologies critical to U.S. national security a high-risk area.

The GAO was asked to:

- Evaluate program changes DOS, DOD, and DHS have made since 2003 to ensure that unclassified defense articles transferred to foreign governments are authorized for shipment and monitored as required
- Determine what information DOD has to administer and oversee the FMS program

The GAO conducted sixteen case studies, analyzed U.S. port data, FMS agreements, reviewed program performance metrics, and interviewed cognizant officials.

## **What the Government Accountability Office Found**

Agencies involved in the FMS program have made some changes in the program but have not corrected the weaknesses GAO previously identified in the FMS program's shipment verification process, and the expanded monitoring program lacks written guidance to select countries to visit to ensure compliance with requirements. DOS which is responsible for the program and approving FMS sales, has not finalized proposed regulatory revisions to establish DOD's role in the FMS shipment verification process, although the FMS agencies reached agreement on the proposed revisions about a year ago. DHS port officials, responsible for export enforcement, also continue to lack information needed to verify that FMS shipments are properly authorized. The GAO found six FMS agreements that had unauthorized shipments, including missile components. In one case, 21 shipments were made after the agreement was closed. At the same time, DOD, which administers the FMS program and FMS agreements, lacks mechanisms to fully ensure that foreign governments receive their correct FMS shipments—in part because DOD does not track most FMS shipments once they leave its supply centers and continues to rely on FMS customers to notify the department when a shipment has not been received. With regard to monitoring defense articles once in country, DOD does not have written guidance to prioritize selecting countries for compliance visits using a risk management approach and has not yet visited several countries with a high number of uninventoried defense articles.

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The DOD lacks information needed to effectively administer and oversee the FMS program. For example, within the last ten years, DOD has twice adjusted the surcharge rate—the rate charged to FMS customers to cover program administration costs—but it does not have information on program costs to determine the balance necessary to support the program in the future. Also, while DOD has a goal to release 80 percent of FMS agreements to a foreign government within 120 days of receiving its request to purchase defense articles, DOD officials stated they do not have the information needed to determine if the goal is reasonable. In addition, DOD lacks information to oversee the program, in large part due to the fact that FMS data reside in 13 different accounting, financial, and case implementation systems. DOD is in the process of defining its requirements for FMS program information before it moves forward with improving its data systems. In the meantime, DOD is relying on systems that do not provide it with sufficient, comparable data to oversee the program's performance.

### **What Government Accountability Office Recommends**

The GAO is making recommendations to DOS, DOD, and DHS to improve the procedures, processes, and information critical for shipment verification, monitoring, and administering the FMS program. DOS and DHS concurred; DOD concurred with two recommendations and partially concurred with three. GAO believes all recommendations remain valid.

### **Introduction (From the Full Report's Introductory Letter)**

Each year, the U.S. Government sells billions of dollars of defense articles and services to foreign governments through the FMS program. The FMS program is an integral and growing component of U.S. national security and foreign policy; in FY 2008, the program sold over 36 billion dollars in defense articles and services to foreign governments,<sup>1</sup> which represented a 56 percent increase over fiscal year 2007 sales. The DOS, DOD, and DHS all have a role in the FMS program. DOS has overall responsibility for the program and approving FMS. DOD administers the program, and DHS ensures that FMS shipments are transferred in accordance with export control laws and regulations.

In 2003, we identified significant weaknesses in the control mechanisms the FMS program uses to safeguard defense articles transferred to foreign governments.<sup>2</sup> Specifically, we found that in some cases FMS shipments were not properly authorized and that actions were still needed to implement statutory end-use monitoring requirements to ensure that foreign governments adequately protect U.S.-provided defense articles. These findings along with others prompted us to designate a new high-risk area in 2007; ensuring the effective protection of technologies critical to U.S. national security interests.<sup>3</sup> Subsequently, in March 2008, DOD disclosed that it had mistakenly transferred intercontinental ballistic missile parts to Taiwan through the FMS program, raising questions about whether previously identified weaknesses have been resolved.

Based on your interest in how agencies have addressed weaknesses in the FMS program and how well the program is being managed, you asked us to provide an update on the FMS program. Specifically, we:

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1. Fiscal year 2008 sales included \$29.2 billion in defense articles and services purchased by foreign governments through the FMS program as well as \$7.2 billion in articles purchased with USG funds and transferred to foreign governments, such as Iraq and Afghanistan, through the FMS program.

2. GAO, *Foreign Military Sales: Actions needed to provide better controls over exported defense articles*. (Washington, D.C., June 5, 2003)

3. GAO, *High Risk Series: An update* (Washington, D.C., January 2007), [www.gao.gov/products/GAO-07-310](http://www.gao.gov/products/GAO-07-310).

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- Evaluated the FMS program changes DOS, DOD, and DHS have made since 2003 to ensure that unclassified defense articles transferred to foreign governments are authorized for shipment and monitored as required
  - Determined what information DOD has to administer and oversee the FMS program

To conduct our work, we reviewed laws, regulations, and guidelines related to the FMS process. We obtained data from two of the top ten U.S. ports in terms of the dollar value of FMS shipments they process to determine if previously identified gaps in shipment process controls still exist<sup>4</sup> and conducted sixteen case studies to assess steps in the FMS process. The cases were selected to provide variation in military service, foreign customer, type of defense article sold, and transportation method to the end destination. We also analyzed FMS agreement data from FY 2003 through 2008. In addition, we interviewed representatives from:

- DOS
- Defense Security Cooperation Agency (DSCA)
- Army
- Navy
- Air Force
- Other DOD components
- DHS's Customs and Border Protection (CBP). Appendix I [of the full report] which includes additional details about our scope and methodology

We conducted this performance audit from May 2008 through April 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Results in Brief**

DOS, DOD, and DHS have made some changes in the program but have not corrected weaknesses we previously identified in the FMS program's shipment verification process; and DOD's expanded monitoring lacks written guidance for selecting countries for compliance visits.

First, DOS has not finalized its regulations to establish DOD's role in the FMS shipment verification process; and CBP port officials lack information needed to verify that FMS shipments are properly authorized. As a result, of the port data we reviewed, we found six FMS agreements where CBP permitted shipments of defense articles to the foreign country even though DOD records showed that shipments were no longer authorized under the agreements. CBP officials stated that a planned centralized data system could provide the needed information to port officials so they can verify FMS shipments, but the planned system does not currently have funding to include such export information.

Second, DOD lacks mechanisms to fully ensure the correct FMS shipments reach the right foreign customers—in part because DOD does not track most FMS shipments once they leave DOD supply centers and continues to rely on the foreign governments to notify the department when a shipment

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4. These data do not allow us to determine the extent of gap in controls at all ports.

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has not been received. Finally, since 2003, DSCA personnel have led teams to visit 19 out of 76 countries that have purchased sensitive defense articles, such as Stinger missiles, under the FMS program. However, DOD does not have written guidance to prioritize compliance monitoring visits using a risk management approach; and DSCA has not yet conducted such visits in countries with a high number of “uninventoried” defense articles.

DOD also lacks the information needed to effectively administer and oversee the FMS program. For example, within the last ten years, DOD has twice adjusted the administrative surcharge rate to cover FMS program administration costs without knowing if the rates reflect the true cost to administer the program. Without this information, DOD may not have sufficient resources to pay for needed current and future administrative activities. While DOD modified its guidance to clarify when DOD can be reimbursed for additional costs associated with an individual sales agreement, it may be difficult to apply this general guidance to specific FMS agreements, potentially resulting in customers being charged for activities that should be covered by the standard administrative surcharges. DOD also lacks the information needed to develop improved metrics to assess the performance of a key part of the program. While DOD has a goal to release 80 percent of FMS agreements to a foreign government within 120 days of receiving its request to purchase defense articles, DOD officials determined they do not have the information needed to adjust this goal and are reviewing it to determine if it is reasonable. Finally, DOD’s ability to obtain comparable information to oversee the program is limited due in large part to its reliance on thirteen different accounting, financial, and case implementation systems. DOD is in the process of identifying solutions to improve the data it collects but is currently relying on systems that do not provide it with sufficient, comparable data to oversee the program’s performance.

In addition to reiterating a recommendation to DOS from our 2003 report, we are making recommendations to DOS, DOD, and DHS aimed at improving the procedures, processes, and information critical to verify FMS shipments, monitor FMS defense articles, and administer and oversee the FMS program. DOS and DHS concurred with our recommendations and outlined actions they will take to implement them. DOD concurred with our recommendations to improve procedures for verifying and tracking FMS shipments. DOD partially concurred with our recommendations on providing information to port officials, monitoring FMS defense articles, and improving the information it has to administer and oversee the FMS program. In its response, DOD agreed to provide information to port officials for new FMS agreements but wanted to assess the resources needed to do so for existing agreements before fully implementing the recommendation. DOD also stated that while it was possible to have written guidance for country monitoring visits, any such guidance must be flexible. DOD has reported that it uses a risk-based approach for its monitoring program and as such should establish written guidance for country compliance visits that is consistent with this approach. In addition, DOD said it has sufficient information for program administration. However, DOD’s current information is limited for assessing the cost to administer the program and to develop improved metrics. We, therefore, believe our recommendations remain valid. DHS and DOD also provided technical comments, which we incorporated into the draft report as appropriate.

## **Background**

The *Arms Export Control Act* (AECA) authorizes the sale of defense articles and services to eligible foreign customers under the FMS program. Under the program, the purchased items must be used and secured properly by the customer and cannot be sold to third parties. Also, the FMS program must be



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administered at no cost to the USG. To recover administration costs, DOD applies a surcharge to each FMS agreement that is a percentage of the value of each sale. Multiple organizations have a role in the FMS program, including DSCA and the military services,<sup>5</sup> DOS, CBP, and DOD's responsibilities, which are described in the *Security Assistance Management Manual* (SAMM), largely focus on the overall administration of the program and FMS agreements.<sup>6</sup> DSCA carries out key functions, such as managing the FMS administrative surcharge account and supervising end-use monitoring of FMS items; and the military services carry out the day-to-day implementation of FMS agreements. DOS regulates the export of defense articles, including the implementation of the FMS program, through its *International Traffic in Arms Regulations* (ITAR)<sup>7</sup>, and CBP enforces export control laws and regulations at U.S. ports and monitors the dollar value and quantity of defense articles exported under each FMS agreement.

Typically, the FMS process begins when a foreign government submits a Letter of Request (LOR) to DOS or DOD to purchase defense articles under the FMS program. The request is then forwarded to the military service responsible for the particular defense article, which then develops a Letter of Offer and Acceptance (LOA), or a sales agreement between the U.S. and the foreign government. DOS and DOD officials approve the sale, and Congress is notified if the proposed sale meets certain dollar thresholds and other requirements.<sup>8</sup> The military service sends the agreement to the foreign government for its acceptance. After the foreign government accepts the agreement, case managers within the military services can begin carrying out agreement actions such as contracting to procure defense articles, issuing requisition orders, providing program management, transporting defense articles if required, and administering financial transactions.

A single FMS agreement may result in hundreds or thousands of individual shipments to a foreign government. In most cases, the military service provides the defense article to the foreign country's freight forwarder, the authorized agent for the foreign customer. However, some countries use DOD's defense transportation system to ship defense articles.<sup>9</sup> The ITAR requires that freight forwarders register with DOS, which must receive a letter from the foreign government designating the registered freight forwarder as its authorized agent. CBP port officials rely on a list provided by DOS to confirm that the freight forwarder for a shipment is the registered freight forwarder for the foreign government. CBP port officials also verify export documentation and subtract the value of each shipment from the total value of exportable goods for each FMS agreement. If the items shipped

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5. In addition to the military services, other agencies, such as the National Security Agency and the Defense Logistics Agency, can implement FMS agreements.

6. In addition to the *Security Assistance Management Manual*, DOD 5105.38-M, DOD security cooperation responsibilities are included in directives such as DOD Directives 5105.65 and 5132.03.

7. 22 *Code of Federal Regulations* §§ 120-130.

8. Congress must be notified about FMS of major defense equipment that total \$14 million or more, other defense articles or services that total \$50 million or more, or design and construction services that total \$200 million or more. For FMS to NATO countries, Japan, Australia, the Republic of Korea, and New Zealand, these dollar values increase to \$25 million, \$100 million, and \$300 million. The proposed sale can only proceed if Congress does not enact a joint resolution prohibiting the agreement within specific time frames. Major defense equipment is equipment that is identified on the *U.S. Munitions List* as requiring special export controls and for which the USG incurred more than \$50 million in non-recurring research and development costs or more than \$200 million in total production costs.

9. According to the *Security Assistance Management Manual*, once the title passes to the customer, the customer is generally responsible for the physical movement beyond the initial point of shipment. The Defense Transportation System can be used for all shipments but generally is used when the customer does not have the resources to perform their own transportation arrangement, hire their own freight forwarders, or when the categories of material are not eligible for transportation through commercial channels.



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are incorrect or damaged upon receipt, the foreign government submits a supply discrepancy report to the military service.

Every FMS agreement has certain security requirements, including end-use monitoring requirements.<sup>10</sup> To provide reasonable assurance that the foreign customer complies with these requirements, DSCA established the Golden Sentry End-use Monitoring program in 2001. As part of this program, security assistance officers stationed in a foreign country monitor the use and security of defense articles purchased through the FMS program; and the officers conduct additional checks on certain sensitive defense articles such as Stinger missiles. DSCA officials conduct regional forums and familiarization visits where the foreign country and DOD representatives work together to mutually develop effective end-use monitoring compliance plans. In addition, DSCA officials conduct country visits to review and assess compliance with the requirements of the FMS agreement and perform investigative visits when possible end-use violations occur.<sup>11</sup>

We have previously reported on weaknesses in the FMS program, including lack of accountability for shipments to some foreign countries, lack of information on end-use monitoring, and insufficient information on the costs to administer the program.<sup>12</sup> Table 1 outlines our previous findings.

<b>Table 1</b>	
<b>Prior GAO Findings on Foreign Military Sales Program Weaknesses</b>	
<b>Program Area: FMS Shipments</b>	
<b>Finding(s):</b>	
	<ul style="list-style-type: none"><li>Weaknesses in shipment control mechanisms identified; the U.S. Government agencies could not ensure that FMS shipments were properly authorized or received by the appropriate foreign government.</li><li>DOD did not track FMS shipments to verify receipt.</li></ul>
<b>Program Area: End-Use Monitoring</b>	
<b>Finding(s):</b>	
	<ul style="list-style-type: none"><li>DOD lacked sufficient information to determine the resources required to implement end-use monitoring requirements and comply with reporting requirements.</li></ul>
<b>Program Area: FMS Administration</b>	
<b>Finding(s):</b>	
	<ul style="list-style-type: none"><li>DOD lacked sufficient information to determine the administrative costs of the program.</li><li>Changes to the administrative surcharge were made without sufficient analysis to determine the need for or impact of a change.</li></ul>
<b>Source:</b> Previous GAO Reports	

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10. All defense articles and services purchased through the FMS program must be provided the same degree of security protection as provided by the USG. In addition, each FMS agreement may list individual security requirements for specific defense articles sold under the agreement, such as inventory and physical security requirements.

11. Possible end-use violations include unauthorized third-party transfers, inappropriate use, or tampering.

12. See GAO-03-599 and GAO, *Foreign Military Sales: Efforts to Improve Administration Hampered by Insufficient Information* (Washington, D.C.: Nov. 22, 1999), [www.gao.gov/products/GAO/NSIAD-00-37](http://www.gao.gov/products/GAO/NSIAD-00-37).

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## Weaknesses in Shipment Verification Process Continue, and Expanded Monitoring Program Lacks Guidance for Country Visits

Agencies responsible for the FMS program have not taken the actions needed to correct previously identified weaknesses in the FMS shipment verification process, and DOD's expanded end-use monitoring program lacks written guidance for selecting countries for compliance visits using a risk-based approach.

First, agencies are not properly verifying FMS shipment documentation, in part because DOS has not finalized revisions to the ITAR to establish DOD's role in the verification process. Second, DOD lacks mechanisms to fully ensure foreign governments receive their FMS shipments in part because DOD does not track most FMS shipments and continues to rely on FMS customers to notify the department when a shipment has not been received. Finally, while DOD has visited an average of four countries each year since 2003 to assess compliance with FMS agreement requirements, it does not have written guidance using a risk-based approach to prioritize the countries it visits to monitor compliance and has not yet visited several countries with a high number of "uninventoried" defense articles.

### Agencies Lack Adequate Export Information to Verify Foreign Military Sales Shipments

To control the export of FMS defense articles, freight forwarders are required to provide the following information before CBP allows an FMS shipment to leave a U.S. port:

- The FMS agreement
- DOS's export authorization form (DSP-94)
- Evidence that shipment data was entered in the government's Automated Export System (see Table 2)<sup>13</sup>

**Table 2**  
**Foreign Military Sales Export Documentation**

**Document: Foreign Military Sales Agreement**

**Description:**

- Describes the items sold under the agreement in general terms
- States the total value of the exportable defense items in the agreement
- Lists administrative and other charges

**Document: [Authorization Form to Export Defense Articles Sold Under the Foreign Military Sales Program], Form DSP-94**

**Description:**

- States the dollar amount available for export on a particular FMS agreement
- Identifies the exported defense item's *U.S. Munitions List* category
- Bears the authorizing signature of an official of the foreign government or its designated freight forwarder

**Document: Automated Export System Information**

**Description:**

- Identifies the FMS agreement by case identification number
- Provides information about the items contained in the shipment

**Source:** GAO Analysis of DOS Regulations and CBP Guidance

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13. The Automated Export System is an interagency export information database managed by the DOC.

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CBP port officials review this information to confirm that the items are authorized under the FMS agreement and that the agreement has an exportable value remaining. The officials also subtract the shipment's value from the total value of the defense articles permitted under the FMS agreement.

Although we recommended in 2003 that DOS revise the ITAR to clearly establish control and responsibility for all FMS shipments, it has yet to do so. Shortly after our report, representatives from DOS, DSCA, and CBP met to draft proposed ITAR revisions that would require DOD to verify that the correct value and type of defense article is listed on the export documentation. According to agency officials involved in the process, agency representatives went through multiple iterations of the draft ITAR revisions over a period of several years. However, these revisions have been in DOS's final clearance stages since May 2008. In the meantime, weaknesses we previously identified in the verification process continue to go unaddressed. Anticipating the ITAR updates, in 2004 DOD issued guidance in the *Security Assistance Management Manual* (SAMM) instructing the military services to verify that the sales value listed on the DSP-94 by the freight forwarders includes only the value of the exportable defense articles listed in the FMS agreement.<sup>14</sup> However, because the guidance only applies to DOD and not the freight forwarders, we found cases where freight forwarders did not submit DSP-94 forms for DOD review. For example, in 10 of our 16 case studies, freight forwarders, who are not bound by DOD's guidance, did not submit DSP-94s to the military services for verification. In addition, in the six cases that were verified by the military services, one listed the full FMS agreement value on the DSP-94, including administration charges, rather than only the value of the exportable defense articles, as DOD policy requires. Further, officials from one military service were uncertain who within their security assistance command was supposed to verify the documents and how they were supposed to be verified.

CBP port officials lack key information in export documentation that is needed to properly record the value of defense articles shipped under an FMS agreement and ensure the value of the shipments made are not more than the exportable value of the agreement. According to CBP guidance, each FMS agreement should have one port that records the value of the exports made against an agreement.<sup>15</sup> However, freight forwarders are not required to identify the primary port on the DSP-94 they provide to CBP at the time of the shipment. For example, freight forwarders listed multiple ports on this form for several of the agreements we reviewed. In one case, the DSP-94 listed seven ports. While information from the Automated Export System is required to accompany all FMS shipments, we found that this system only lists the port of export not the primary port. CBP port officials have told us that they have no way of knowing if an FMS agreement or a DSP-94 is filed at more than one port because CBP does not have a method to prevent these documents from being filed at multiple ports. Without accurate and complete information on the primary port, officials at other ports cannot notify the primary port regarding shipments that are made through their ports so that the value of these exports can be properly recorded. In some cases, port officials were reducing the exportable value of FMS agreements at ports that were not the primary port. For example, two ports contained duplicate entries for 67 FMS agreements and, for many of these agreements, both ports were independently recording the value of shipments made against the agreement. In one case, the records for one port showed that the agreement value was exhausted, while the records for the second port still showed an exportable value of \$2.9 million.

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14. Defense services and administrative charges should be excluded from the value listed on the DSP-94 to ensure that port officials only allow shipments against an FMS agreement equal to the value for exportable defense articles.

15. According to the *U.S. Customs Control Handbook for DOS Licenses*, one port should hold the documentation for an FMS sales agreement. This port is supposed to record the value of shipments made against the FMS agreement. In this report, we refer to this port as the primary port for the FMS agreement.

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Although CBP agreed to develop guidelines for FMS shipment verification and reduction of allowable export value after a shipment in response to our 2003 report recommendations, the *U.S. Customs Control Handbook for Department of DOS Licenses* has not been updated since 2002; and it does not provide instructions to CBP port officials on tracking shipment and agreement values. CBP issued a policy memorandum in 2004 directing port personnel on how to record shipment values for FMS agreements and coordinate with other ports to designate one primary port to track and record shipments against each FMS agreement. But CBP port officials we met with in July 2008 did not have the memorandum; and it was not posted on CBP's intranet, a resource that CBP began to use after 2004 to distribute policy information among the ports.

CBP also lacks adequate information to ensure shipments are not made against closed FMS sales agreements—agreements against which shipments are no longer authorized.<sup>16</sup> In response to a recommendation we made in 2003, DSCA sent quarterly lists of closed cases to CBP in late 2003 and 2004 but rarely did so in subsequent years. Without this information, CBP port officials did not know when an agreement was closed by DOD and only considered the agreement to be closed when the locally recorded exportable value was determined to be exhausted.<sup>17</sup> We compared data from two ports to DOD information on over 2,600 closed FMS agreements<sup>18</sup> and identified 22 FMS agreements that had DSP-94s filed up to ten years after the closure date of the agreement. CPB port records incorrectly showed that these agreements still had exportable value remaining, which is one of the indicators port officials use to determine if shipments are authorized. We determined that multiple shipments were made against six of these agreements, including agreements for the sale of technical defense publications, avionics components, and missile components. According to DOD officials, one of these agreements was closed before any orders were placed against it; however, we found that 21 shipments were made against this agreement by a freight forwarder. In October 2008, DSCA officials provided a list of recently closed FMS agreements to CBP and they plan to meet with officials to discuss how to use the information. However, this list only covers agreements that were closed in fiscal year 2008, which could allow shipments to continue to be made against agreements that were closed prior to that time.

In 2003, we recommended that CBP improve its shipment verification process to ensure that it has adequate information to determine when FMS shipments are authorized. However, CBP continues to rely on individual port records and has no method of sharing FMS shipment information among ports. According to CBP officials, only 3 of the more than 100 ports that process FMS shipments maintain an electronic database for recording FMS shipments; but these are not linked to any other system and do not exchange information. Ports without a local database maintain paper copies of FMS documentation and record handwritten notes on the back of DSP-94s to subtract the shipment value from the total case value. CBP officials noted that the Automated Export System allows them to verify that the freight forwarder, defense article, and shipment value match the export documentation; but this system does not allow officials to see the potentially hundreds or thousands of shipments made against an FMS agreement or track the existing exportable value of an agreement. While CBP is in the process of implementing the International Trade Data System, which could automatically subtract the value of individual shipments from the total exportable value of FMS agreements as shipments are

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16. FMS agreements are closed when all ordered articles have been physically delivered, ordered services have been performed, or the FMS purchaser has confirmed that no orders are forthcoming.

17. When an FMS agreement is determined to be closed by port officials, they send the FMS agreement documentation, including the authorization form, to the DOS, which archives expired FMS agreements.

18. The list of closed agreements included 467 cases that were identified as closed for the 2003 GAO report and 2212 agreements that were closed from October 2007 to September 2008.

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made, the system is not scheduled to be completed before 2011 at the earliest. Moreover, at the time of this report, CBP has only received funding to include import information in the system and has not yet received funding for including export information. Although an export component was initially planned, a review of the program may eliminate plans to develop the export component, a step that would prevent the system from improving the FMS process.

### **DOD Lacks Mechanisms to Fully Ensure That the Correct Foreign Military Sales Shipments Reach the Right Foreign Customers**

According to DOD guidance, DOD considers its responsibility for the shipment of FMS articles complete when the title transfers from DOD to the foreign government, which typically occurs when the item is picked up by the freight forwarder at a DOD supply center or other point of origin. DOD does not usually notify the foreign customer when a defense article has been shipped.<sup>19</sup> If a foreign customer has not received an FMS shipment or it is damaged upon receipt, problems that may not be identified until months after the article was shipped, the customer files a supply discrepancy report.<sup>20</sup> Each FMS agreement may have thousands of shipments associated with it, and discrepancy reports could be filed against each shipment. For example, in our 16 case studies, 188 supply discrepancy reports were filed. Thirty-one of these reports were filed because an incorrect item was received. In such cases, DOD officials may tell the foreign government to dispose of the item and give the foreign government a credit against their account. However, if the report is not submitted within one year, DOD is not required to take action on the discrepancy. If a country chooses not to submit a report, DOD has no procedures in place to identify a lost or diverted FMS shipment as it does not generally track such shipments once they leave the DOD supply center. According to DOD officials, DOD investigates the whereabouts of defense articles that foreign governments claim they did not receive, or received but never ordered, when the foreign customer notifies DOD. Without notification from the customer, DOD may not know when defense articles are mistakenly transferred to a foreign customer. This occurred in 2006 when DOD mistakenly transferred forward section assemblies for the Minuteman III intercontinental ballistic missile to Taiwan instead of the helicopter batteries the country had requested through the FMS program. DOD only became aware of an error in 2007, when Taiwanese officials notified U.S. officials that they did not receive the requested batteries. At the time, DOD did not fully investigate the discrepancy and also did not realize that it had sent missile components to Taiwan until 2008 more than one year after being notified of the error.

In 2008, the Defense Logistics Agency (DLA), which manages the inventory for weapon system spare parts and other consumable items in the DOD supply system, took action to ensure that defense articles for shipment are properly labeled in an effort to minimize the risk that an incorrect article is provided to a foreign customer. According to a DLA headquarters official, DLA found it had a high inaccuracy rate for its supply center shipments. DLA inspectors found, for example, that if a shipping label got caught in the printer, the rest of the shipments on the line may have incorrect shipping labels because the personnel on the line may unknowingly skip the jammed label and affix subsequent labels on the wrong packages. DLA's two largest FMS supply depots have recently put in place a double inspection process in which inspectors at the depots ensure that the shipping documentation matches the items in the package. A DLA official stated that this new process should address the problem of

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19. In certain circumstances, such as when a shipment is oversized or contains hazardous material, DOD will notify the customer or the freight forwarder by sending a notice of availability.

20. The customer is responsible for reporting shipping problems by filing a supply discrepancy report within one year of the shipment date. A discrepancy report may be filed for quality deficiency, contractual noncompliance, design deficiency, damaged shipment, shortage-quantity received less than quantity on receipt document, incomplete, unacceptable substitute received, and non-receipt.



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improperly labeled defense articles leaving the supply depot the first part of the shipment process. However, Navy officials responsible for FMS shipments noted that DLA needs to determine the source of the problems to ensure that its solutions are correct. It is too early to know whether DLA's new process will reduce the inaccuracy rate for supply center shipments.

According to DSCA officials, while DOD currently does not track all shipments under FMS agreements, it has mechanisms intended to improve visibility over shipments in limited circumstances. For example, DOD established the Enhanced Freight Tracking System, which is intended to allow DOD personnel, freight forwarders, and foreign customers to track shipments from their point of origin to their final destination. Currently, participation by FMS customers is voluntary. DSCA and military service officials stated that the system was designed for customers to track their shipments, and the officials do not plan to use the system to track all FMS shipments. DOD also faces challenges in successfully implementing the new system. First, the system is in the first phase of implementation, which focuses on tracking defense articles from the initial location in the military depot to the freight forwarder; and subsequent phases will allow for shipment tracking to the final destination in the foreign country. Second, in some cases the transportation control numbers that are used to track shipments have been incomplete or changed when shipments were consolidated and therefore are not a reliable method to track shipments. According to DOD officials, while the freight tracking system has multiple searchable fields, for some FMS shipments, the transportation control number is the only searchable field. In addition, DOD officials identified another mechanism for tracking FMS shipments that is being used for countries within the U.S. Central Command (CENTCOM) area of responsibility, in particular Iraq and Afghanistan. All such shipments are required to have radio frequency identification tags that allow for electronic tracking of shipments through the Enhanced Freight Tracking System to their destination. DSCA officials noted that DOD developed this requirement to address the unique security situation in those countries, and DOD does not have plans to expand it to include shipments to other countries.

### **DSCA Does Not Have Guidance for Prioritizing Selection of Countries for Compliance Monitoring Visits**

In 2003, we found that DSCA lacked the information needed to implement and report on its Golden Sentry end-use monitoring program. Since then, DSCA expanded this program and has been reporting annually on its resources. According to DSCA's FY 2009 monitoring report to Congress, the purpose of the program is to scrutinize the foreign purchaser's use of U.S. defense articles to ensure compliance with U.S. security requirements. The report further notes that to conduct end-use monitoring with available resources, DSCA uses a risk-based approach. Countries are to secure all defense articles purchased through the FMS program. They are also required to maintain a detailed inventory of every item received by serial number for 16 defense articles DOD designated as sensitive. These sensitive defense articles have been purchased by 76 countries and include night vision devices, communication security equipment, and certain types of missiles such as Stingers.

To ensure that foreign governments and security assistance officers are complying with monitoring requirements, DSCA headquarters officials lead in-country compliance visits, which DSCA has identified as an important part of the Golden Sentry program. Specifically, the visit objectives are to:

- Assess in-country security assistance officers' overall compliance with the end-use monitoring program



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- Assess the foreign government's compliance with specific physical security and accountability agreements through facility visits, records reviews, and reviews of local security policies and procedures
  - Conduct routine or special inventories of U.S.-origin defense articles
  - Appraise possible violations of the U.S. laws, international agreements, or FMS agreements

To conduct these compliance visits, DSCA assigned three officials to particular regions of the world. These DSCA personnel periodically lead teams made up of several military service and overseas DOD personnel with expertise on sensitive weapon systems or the country visited. DSCA budgeted \$1.4 million for such visits in each of the FYs 2006 through 2008.

Since DSCA began conducting compliance visits in 2003, it has visited nineteen countries or 25 percent of the 76 countries that have purchased sensitive defense articles, averaging about four visits per year. According to DSCA policy, DSCA compliance visits should focus on the countries that have purchased sensitive defense articles, with a particular emphasis on visiting those with Stinger missiles. DSCA officials stated that they determine compliance visits based in part on foreign policy considerations, such as the need to coordinate visits with foreign governments to respect their sovereignty. While no written guidance exists, officials stated they consider a variety of risk-based factors in determining countries to visit, including considering whether the country is in a stable region of the world or if the officials have information indicating sensitive defense articles may not be properly protected or inventoried. Yet, out of the nineteen countries they visited, about 50 percent were in a stable region of the world. In addition, DSCA has not yet conducted compliance visits in three countries that have a high number of "uninventoried" defense articles, including Stinger missiles and related components and night vision devices, as identified by DSCA's data system. According to a DSCA official responsible for the compliance visits, these three countries are now scheduled for visits in 2009. DSCA also noted that one of these countries needed assistance to help it meet standards before it could have a successful compliance visit. However, as DSCA has not created written guidance for selecting countries for compliance visits, it is unclear how it applied a risk-based approach in prioritizing its country selections to date.

### **DOD Lacks Information Needed to Effectively Administer and Oversee the Foreign Military Sales Program**

While DOD has implemented initiatives aimed at improving the overall administration of the FMS program, it lacks the information needed to effectively administer and oversee the program. First, DOD does not have information on the actual cost of administering FMS agreements and, as a result, is not able to link the administrative surcharge DOD charges foreign customers with actual costs. Second, DOD lacks information for determining an improved metric to measure the timeliness with which FMS agreements are developed. Finally, DOD does not have consistent data from each of the military services on administering FMS agreements.

### **DSCA Lacks Sufficient Information to Determine Administrative Surcharge Rate**

Over the past decade, DSCA has implemented several initiatives aimed at improving the balance between FMS expenditures and income. Specifically, DSCA has twice adjusted the surcharge rate—the rate charged to FMS customers to cover program administration costs. However, DSCA does not have sufficient information to determine the balance necessary to support the program in the future. In 1999, DSCA decreased the surcharge rate from 3 to 2.5 percent because the administrative

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surcharge account had a surplus. Prior to this change, we recommended that DSCA not lower the rate until it determined the cost of implementing the FMS program. However, DSCA disagreed with this recommendation and lowered the rate despite declining income that the program experienced between 1995 and 2000. According to DSCA officials, by 2005 the program experienced a decrease in income that raised concerns about DSCA's ability to pay FMS program expenses if sales continued at the existing rate. Following a year-long internal study to determine a sustainable rate, DSCA increased the surcharge rate from 2.5 to 3.8 percent in August 2006 and clarified what services are included in the administrative surcharge and what services require additional charges.<sup>21</sup> Since then, the administrative surcharge account balance has grown—a result of both the increased rate and higher than anticipated sales. In FY 2008 alone, FMS program sales totaled \$36 billion—almost triple the amount DSCA had previously projected.

Once the customer signs the agreement and pays the required deposit, DSCA collects 100 percent of the administrative surcharge from agreements in support of the Global War on Terrorism and other agreements with different funding sources<sup>22</sup> and 50 percent of the administrative surcharge for all other agreements.<sup>23</sup> Expenditures from these sales agreements continue throughout the entire life of the agreement, which on average last twelve years. However, DSCA knows only historical costs associated with the overall program, not the costs to implement each FMS agreement. Identifying the costs of administering the FMS program is a good business practice identified in federal financial accounting standards.<sup>24</sup> DSCA plans to reassess the optimal rate based on the level of sales and estimated expenses; but without data on actual agreement costs, the surcharge rates DSCA establishes may not be sufficient to pay for needed administrative activities. According to a senior DSCA official, while the fund is not currently in danger of becoming insolvent, it is unclear how the current economic situation may affect future sales levels and, therefore, the administrative account balance.

DSCA's selection of its current surcharge rate has also raised issues with FMS customers and the military services regarding which administrative services require additional charges beyond what is included in the standard administrative surcharge. The standard level of service includes services such as the preparation and processing of requisitions. A country that wants services in addition to the standard level of service, such as additional reviews or contractor oversight, is charged separately for those services. DSCA has provided guidance and training to help the Army, Navy, and Air Force apply the revised standard level of service to new cases. However, according to Navy officials, measuring one standard level of service is unrealistic because every case is unique and may require varying levels of service. Several FMS customer representatives to the Foreign Procurement Group<sup>25</sup> also raised questions about administrative surcharge billing and the consistency with which the standard level of service was applied across the services. A briefing prepared by the Foreign Procurement Group in July 2008 noted improvement in the application of the standard level of service but identified the need

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21. Other initiatives stemming from the study include instituting a minimum surcharge for low dollar value agreements and the elimination of the logistics support charge as a separate charge.

22. These agreements are known as "pseudo" FMS.

23. The remaining 50 percent of the administrative surcharge for non-Global War on Terrorism cases is received through a payment schedule outlined in the sales agreement.

24. Federal financial accounting standards state that reliable information on the costs of federal programs and activities is crucial for effective management of government operations. See *Managerial Cost Accounting Concepts and Standards for the Federal Government*, Statement 4 (July 31, 1995).

25. The Foreign Procurement Group is made up of Washington, D.C.-based foreign government representatives who meet periodically to discuss their experiences with U.S. security assistance programs, including FMS.

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for additional transparency in DOD's charges for the standard level of service for FMS agreements. For example, the group cited incidences of charging customers for services that should be covered under the standard level of service.

### **DSCA Lacks Sufficient Information to Improve Metric Regarding Foreign Military Sales Agreement Development Time Frame**

In an effort to ensure FMS agreements are developed and presented to customers in a timely manner, DSCA established a goal of developing and presenting 80 percent of agreements to its customers within 120 days of receiving a request to purchase a defense article through the FMS program. DSCA's 120-day time period begins with the initial receipt of the purchase request and includes the time required to receive pricing information for defense articles from contractors, to allow the services to write the actual FMS agreement, and for all of the relevant agencies to review and approve the sale of the defense articles. In 2008, DSCA began a study to determine if the 120-day goal was reasonable or if it needed to be revised. However, DSCA officials stated they did not have sufficient information to make such a determination. As a result, DSCA directed each military service to study its FMS process to assess internal FMS processes and the time frames associated with those processes. According to DSCA officials, they anticipate receiving the results of the studies in early summer 2009.

A variety of factors may affect the military services' ability to meet the 120-day time frame for developing an FMS agreement. For all agreements implemented from January 2003 to September 2008, DSCA developed 72 percent of FMS agreements within its stated 120-day goal. While it takes an average of 122 days after the initial receipt of a request to develop an FMS agreement, the number of days that it took to develop an FMS agreement ranged from less than one to 1,622 days.<sup>26</sup> While DSCA officials noted that the creation of a central agreement writing division in 2007 has helped improve the consistency of agreements, there are other factors affecting the time it takes to develop an agreement. Officials responsible for developing the FMS agreements stated that while it is possible to meet the 120-day goal on routine agreements, such as blanket order agreements,<sup>27</sup> it is difficult to meet the goal for complex agreements, such as agreements for weapons systems. Agreements over certain dollar thresholds could require more time if they have to go through the congressional notification process. Similarly, for example, non-North Atlantic Treaty Organization (NATO) cases may require more time for the U.S. embassy in the customer country to conduct an evaluation of the proposed sale. Prioritization of certain agreements, such as Iraq FMS agreements, can also delay the development of other FMS agreements. Other factors that can extend FMS agreement development times include slow customer response to follow-up questions about requests to purchase defense articles, workload challenges within the military services, and slow contractor response times for pricing information about the defense article the foreign government wants to purchase.

### **Disparate Data Systems Limit Available Information for DSCA Oversight of Foreign Military Sales Program**

FMS implementation, management, and financial data which DOD uses to track, oversee, and execute FMS sales agreements-are currently dispersed among thirteen electronic systems across the military services and other DOD components. As a result, DSCA's ability to obtain FMS program

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26. In some cases, the FMS agreement is written the same day that the request to purchase defense articles is received.

27. A blanket order agreement is an agreement between a foreign customer and the USG for a specific category of items or services (including training) with no definitive listing of items or quantities. The case specifies a dollar ceiling against which orders may be placed.

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information and to manage the efficiency of the FMS process is limited. For example, one DSCA official responsible for collecting program information noted that DSCA cannot effectively measure cost, schedule, and performance on FMS agreements because current systems only provide three consistent indicators that are comparable across the military services. According to the official, while the service specific systems may provide information for analyzing the performance of FMS agreements within that service, the information is not comparable with data produced by other services, thus reducing its value to DSCA for overall oversight of the program. DSCA compiles the limited available data from the military services for quarterly meetings that review the FMS program in an effort to determine potential problems. In addition, as DOD does not have a centralized system, the services have independently developed tools to enhance the capabilities of their existing systems, one of which has been in place since 1976.<sup>28</sup> For example, the Air Force independently developed a web-based system for processing supply discrepancy reports; but DSCA has yet to fully fund this system to be used by the other services.

In an effort to develop more comparable, detailed, and complete data on agreement implementation, DSCA is working to develop the Security Cooperation Enterprise Solution. DSCA is currently defining the requirements for this potential system and has yet to determine how it will relate to other data systems. According to DSCA officials, recent increases in FMS and the administrative surcharge rate will provide sufficient funds to begin the development of a new data system. DSCA also uses the Security Cooperation Information Portal, a web-based tool designed to provide a point of access for DOD's multiple FMS information systems, such as the services' requisition systems, the system used to write agreements, and the financial systems. The portal retrieves information from existing DOD systems and is intended to provide consolidated information to DOD and foreign customers. However, as the portal is based on information from thirteen different systems, the data have the same limitations in providing DSCA with comparable data to oversee the FMS program.

## **Conclusions**

The FMS program, as a part of a broader safety net of export controls designed to protect technologies critical to national security as well as an important foreign policy tool to advance U.S. interests, presents a set of unique challenges to the agencies involved in the program. Previously identified weaknesses in the FMS shipment verification process remain unaddressed and require the immediate and collective attention of leadership within DOS, DOD, and Homeland Security. While these departments each have a distinct role to play in the FMS program, they have failed to work collectively to ensure that FMS articles are not vulnerable to loss, diversion, or misuse. This failure has clear national security implications because defense articles will be at risk of falling into the wrong hands. Consistent with our 2003 report, we still believe that DOS should revise the ITAR to establish procedures for DOD verification of FMS shipments to address weaknesses in the shipment verification process. Also, DOD may not be maximizing its resources by fully applying a risk-based approach to ensure that sensitive defense articles are protected as required. In addition, DOD has made changes to its FMS program administration without sufficient information on which to base these changes; and it lacks information to assess how well the program is working. Without this information, DOD's ability to know if the program is achieving intended results is limited.

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28. DSCA issued a memorandum in 1998 requesting that major enhancements to the service specific systems be coordinated through DSCA until it developed a centralized data system.

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## Recommendations for Executive Action

To improve controls for exported items as well as administration and oversight of the FMS program, we are reiterating a recommendation to DOS from our 2003 report and making the following five recommendations.

- Establish procedures for DOD verification of FMS shipments, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Policy to provide additional guidance to the military services on how to verify FMS shipment documentation.
- Ensure CBP port officials have the information needed to verify FMS shipments are authorized, we recommend that the Secretary of DOS direct the Assistant Secretary for Political-Military Affairs, that the Secretary of Defense direct the Under Secretary of Defense for Policy, and that the Secretary of Homeland Security direct the Commissioner of Homeland Security's U.S. Customs and Border Protection to coordinate on establishing a process for:
  - Ensuring the value of individual shipments does not exceed the total value of the FMS agreement,
  - Designating a primary port for each new and existing FMS agreement,
  - Developing a centralized listing of these primary ports for use by CBP port officials,
  - Providing CBP officials with information on FMS agreements that were closed prior to FY 2008.
- Ensure that correct FMS shipments reach the right foreign customers, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Policy to examine its existing mechanisms and determine if they can be used to improve tracking of FMS shipments.
- Ensure that FMS defense articles are monitored as required, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Policy to create written guidance for selecting in-country visits that consider a risk-based approach.
- Improve the administration and oversight of the FMS program, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Policy to better determine the administrative costs of implementing the FMS program and develop metrics that allow DSCA to comprehensively assess the performance of the FMS program.

## Agency Comments and Our Evaluation

DOS, DHS, and DOD provided written comments on a draft of this report, which are reprinted in Appendices II through IV. DHS and DOD also provided technical comments, which we incorporated as appropriate. In written comments, DOS and DHS concurred with our recommendations and outlined plans to implement them. DOD concurred with two of our recommendations and partially concurred with the other three. In its technical comments, DOD also noted that it disagreed with our characterization of the information it uses to administer the FMS program.

In concurring with the recommendation that DOS should revise the ITAR, which we reiterated from our 2003 report, DOS noted that the Political-Military Bureau is processing the recommended



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changes to the ITAR and will publish them in the *Federal Register* as soon as all requirements for doing so are met.

DOD concurred with our recommendation to provide additional guidance on verifying FMS shipment documentation and agreed to work with the military services to review the current guidance and revise as necessary. DOD also concurred with our recommendation that it examine its existing mechanisms for tracking FMS shipments and will work with agency representatives to improve end-to-end visibility.

In response to our recommendation that DOS, DHS, and DOD coordinate to ensure CBP port officials have the information needed to verify that FMS shipments are authorized, DHS and DOD agreed to work together to provide this information. DHS identified several specific actions that it plans to take, including reconvening an interagency working group to address FMS-related issues, obtaining a complete list of closed FMS agreements from DOD, and establishing a list of all primary ports for existing and new FMS agreements. DOD also agreed to provide CBP with a list of closed FMS agreements. While DOD agreed to work with DOS and CBP to establish a process for designating a primary port for each new FMS agreement, it noted that it will have to examine the resource impact of designating a primary port for existing FMS agreements before taking further action. Once DOD has made this assessment, it will be important for the agencies to determine the appropriate course of action for existing agreements.

DOD partially concurred with our recommendation to create written guidance for in-country visits and said that such guidelines could be included in the SAMM. DOD noted that these guidelines would take risk into account but would have to be broad enough to consider other factors, such as the experience of personnel, when scheduling in-country visits. DOD has reported to Congress that it uses a risk-based approach to conduct end-use monitoring with available resources. While our report notes that a variety of factors play a role in the selection of countries for compliance visits, we also found that the current system, which lacks written guidance, may not ensure that DOD is distributing its resources in a risk-based manner. As DOD has identified these visits as an important part of its monitoring program, we continue to believe that DOD needs written guidance, whether in published guidance or internal policy memos, that applies a risk-based approach to ensure that sensitive defense articles are protected as required.

DOD also partially concurred with our recommendation that it improve the administration and oversight of the FMS program. DOD agreed that rigorous data analysis and well-defined, targeted metrics are vital for FMS program administration. It noted that it conducted a year-long study prior to changing the current administrative surcharge rate in August 2006 and that it hosts a quarterly forum at which security cooperation leadership review metrics related to the FMS program. In its technical comments, DOD also stated that it has sufficient information and that it is not required to gather information on actual costs to administer the FMS program. As we state in our report, DOD's August 2006 study relies on future sales estimates and historical budget data for program administration to develop its surcharge rate, which does not provide it with the actual costs to implement existing FMS agreements. We also note that identifying the costs of administering the FMS program is a good business practice recognized in federal financial accounting standards. In addition, while we acknowledge that DOD officials meet at quarterly forums to review existing metrics, they have limited consistent indicators that are comparable across the military services. As such, we continue to believe that DOD should obtain additional information regarding the cost of implementing FMS agreements and to develop metrics to administer and oversee the program.



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## Appendix II

### Department of DOS Comments on GAO Draft Report

Thank you for allowing the Department of DOS the opportunity to comment on the draft report “Defense Exports: Foreign Military Sales Program Needs Better Controls for Exported Items and Information for Oversight.”

The report recommends making certain revisions to the International Trafficking in Arms Regulations (ITAR). The DOS Political Military Bureau continues to process the recommended changes to the ITAR and will publish them in the *Federal Register* as soon as all requirements for doing so are met.

### Appendix III: Comments from the Department of Homeland Security

**Recommendation 3:** To ensure Customs and Border Protection (CBP) port officials have the information needed to verify FMS shipments are authorized, we recommend the Secretary of State direct:

- The Assistant Secretary for Political-Military Affairs
- The Secretary of Defense direct the Under Secretary of Defense for Policy
- The Secretary of Homeland Security
- The Commissioner of Customs and Border Protection to coordinate on establishing a process for:
  - Ensuring the value of individual shipments does not exceed the total value of the FMS agreement
  - Designating a primary port for each new and existing FMS agreement
  - Developing a centralized listing of these primary ports for use by CBP port officials,
  - Providing CBP officials with information on FMS agreements that were closed prior to FY 2008

### Response

**Concur.** CBP will re-issue the guidance on documentation of the FMS cases and obtain a complete list of all FMS closed cases from DSCA.

In addition, CBP will publish guidance specifically on processing FMS shipments and the handling of the cases. CBP will establish a complete list of where all the existing and new FMS cases are lodged and post such list to the CBP intranet web site.

Moreover, CBP will post information to the CBP intranet web site about closed cases, port locations for active FMS cases, and procedural guidance on processing FMS cases and shipments.

CBP has requested the re-establishment of the FMS Interagency Working Group to complete the 2003 GAO recommendation. Scheduling for the first meeting is being reviewed by all the participating agencies.

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## Appendix IV: Comments from the Department of Defense

**Recommendation 1:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Policy to provide additional guidance to the military services on how to verify FMS shipment documentation.

**DOD Response:** Concur. The Defense Security Cooperation Agency (DSCA) will work with the military services to review the current guidance on verifying FMS shipment documents and revise and/or provide additional guidance as required.

**Recommendation 2:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Policy to coordinate on establishing a process for ensuring the value of individual shipments does not exceed the total value of the FMS agreement.

**DOD Response:** Concur. DSCA will work with Customs and Border Protection (CBP) and the DOS to develop a process to ensure that the value of all individual shipments made [does] not exceed the total exportable value authorized by the FMS agreement.

**Recommendation 3:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Policy to coordinate on establishing a process for designating a primary port for each new and existing FMS agreement.

**DOD Response:** Partially Concur. DSCA will work with CBP and the Department of DOS to develop a process for designating a primary port for each new FMS agreement. DSCA would have to examine the resource impact of making such changes to existing FMS agreements before committing to a change that impacts agreements that have already been implemented.

**Recommendation 4:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Policy to coordinate on establishing a process for developing a centralized listing of these primary ports for use by CBP port officials.

**DOD Response:** Concur. DSCA will work this issue with CBP and the Department of DOS.

**Recommendation 5:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Policy to coordinate on establishing a process for providing CBP officials with information on FMS agreements that were closed prior to fiscal year 2008.

**DOD Response:** Concur. DSCA is providing a historical list of closed FMS agreements and will continue to provide regular updates to this list.

**Recommendation 6:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Policy to examine its existing mechanisms and determine if they can be used to improve tracking of FMS shipments.

**DOD Response:** Concur. Through the Enhanced Freight Tracking System (EFTS) development process, existing transportation data systems are being used to extract relevant FMS transportation data. By mapping to various external systems, EFTS intends to improve tracking of FMS shipments for all methods of conveyance. Where there is a shortfall in Information Technology and/or a need to track materiel (e.g., Customs [and] FMS Customer's freight forwarder), DSCA is working with the agency representatives to bridge the requirement for end-to-end visibility of the distribution pipeline.

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**Recommendation 7:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Policy [to] create written guidance for selecting in-country visits that consider a risk-based approach.

**DOD Response:** Partially concur. It is correct that there currently is no written guidance for prioritizing Compliance Assessment Visits (CAVs). We agree that written guidelines for selection of countries to receive CAVs could be included in the SAMM with the understanding that such guidelines will have to be broad enough to take many subjective factors into consideration. The CAV schedule is created with numerous considerations taken into account. Risk is one factor but even risk is not objective and must consider many subjective elements including:

- The inventory of enhanced items (both in size and make-up)
- The history of the Golden Sentry program within the host nation
- The region of the world in question
- Current or previous reports of concerns relative to the country's protection of U.S. articles

Any written guidance will be largely as subjective as the current process of determination through internal consultations. Beyond these risk-based factors, elements of maximizing a trip (adding a small program to an existing major program trip), experience of personnel, and other factors can appropriately affect the scheduling of CAVs.

**Recommendation 8:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Policy to better determine the administrative costs of implementing the FMS program and develop metrics that allow DSCA to comprehensively assess the performance of the FMS program.

**DOD Response:** Partially concur. We agree that rigorous data analysis is vital to determining proper assessment of administrative costs needed to implement the FMS program. The AECA, Section 21(3)(1)(A) requires that we recover the full estimated costs of administration of sales using "an average percentage basis." The current administrative surcharge rate assessed against FMS cases, in compliance with the AECA, is 3.8 percent. This percentage was effective in August 2006 and was derived only after an intensive year-long study was conducted to review costs, sales projections, workload impacts, etc. DSCA recognizes that fluctuations in customer financial health, regional and world stability conditions, influence FMS programs and impact the surcharge rates needed to ensure these programs can continue to operate at no cost to the USG. In 2006, DSCA self-imposed a requirement to review the health of the administrative surcharge account annually to determine if the rate is fair and adequate or whether it should be changed to more accurately reflect anticipated costs. DSCA agrees that well-defined, targeted metrics are vital to assessing FMS programs and processes. We host a quarterly forum for leadership in the security cooperation community to review and refine metrics related to FMS and other related programs. Data from these reviews are used to recommend, study, and implement process improvements across our community.

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# **Fundamental Re-Examination of System is Needed to Help Protect Critical Technologies: A Government Accountability Office Report**

**By  
Anne-Marie Lasowski  
Director, Acquisition and Sourcing Management  
Government Accountability Office**

[The following are excerpts from Testimony Before the Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, House of Representatives providing highlights of GAO-09-767T. The full statement is available at: [www.gao.gov/new.items/d09767t.pdf](http://www.gao.gov/new.items/d09767t.pdf).]

The United States (U.S.) government programs for protecting critical technologies may be ill-equipped to overcome challenges in the current security environment. The eight programs that are intended to identify and protect weapons and defense-related technology exports and investigate proposed foreign acquisitions of U.S. national security-related companies—as well as the myriad of related laws, regulations, policies, and processes—are inherently complex. Multiple agencies participate in decisions about the control and protection of critical technologies, including the Department of Defense (DOD), Department of State (DOS), Department of Commerce (DOC), Homeland Security, the Treasury, Energy, and Justice. Each agency represents various interests, which at times can be competing and even divergent. Moreover, in the decades since these programs were put in place, globalization and terrorist threats have heightened the challenge of appropriately weighing security and economic concerns.

As with many of the government's programs to protect critical technologies, the U.S. export control system has faced a number of challenges. Specifically, poor interagency coordination, inefficiencies in processing licensing applications, and a lack of systematic assessments have created significant vulnerabilities in the export control system.

- Poor coordination among the agencies involved in export controls has resulted in jurisdictional disputes and enforcement challenges. Notably, DOS and DOC—the two regulatory agencies for weapons and defense-related technologies—have disagreed on which department controls certain items. These disagreements create considerable challenges for enforcement agencies in carrying out their inspection, investigation, and prosecution responsibilities. The Department of Justice recently established a task force with other agencies to address jurisdictional and coordination issues in export control enforcement.
- DOS's backlog of licensing applications topped 10,000 cases at the end of fiscal year 2006. While application reviews may require time to ensure license decisions are appropriate, they should not be unnecessarily delayed due to inefficiencies. Recently, DOS took steps to restructure its workforce to reduce processing times and the number of open cases.
- Finally, neither State nor Commerce has systematically assessed the overall effectiveness of their export control programs nor identified corrective actions that may be needed to fulfill their missions—despite significant changes in the national security environment. Commerce officials stated they conducted an ad hoc review of

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its system and determined that no fundamental changes were needed. However, we were unable to assess the sufficiency of this review because Commerce did not document how it conducted the review or reached its conclusions.

As the effectiveness of the system depends on agencies working collectively, we have called for the executive and legislative branches to conduct a fundamental re-examination of the current programs and processes.

I am here today to discuss the U.S. export control system—one key program in GAO’s high-risk area on ensuring the effective protection of technologies critical to U.S. national security interests. As you know, the DOD spends billions of dollars each year to develop and produce technologically advanced weaponry to maintain superiority on the battlefield. To enhance its foreign policy, security, and economic interests, the U.S. government approves selling these weapons and defense-related technologies overseas and has a number of programs to identify and protect the critical technologies involved in these sales. These programs include the export control systems for weapons and defense-related technologies, the foreign military sales program, and reviews of foreign investments in U.S. companies. Yet, these weapons and technologies continue to be targets for theft, espionage, reverse engineering, and illegal export. In 2007, GAO designated ensuring the effective protection of technologies critical to U.S. national security interests as a high-risk area.

My statement today:

- Provides an overview of the safety net of government programs and processes aimed at ensuring the effective protection of technologies critical to U.S. national security interests
- Identifies the weaknesses and challenges in the U.S. export control system—one of the government programs to protect critical technologies

These statements are based on GAO’s high-risk report and our extensive body of work on the export control system and other government programs designed to protect technologies critical to U.S. national security interests. That extensive body of work was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. A list of related products that we have recently issued is included at the end of [the full] statement.

### **Programs to Protect Critical Technologies May Be Ill-Equipped to Overcome Challenges in the Current Security Environment**

The U.S. Government has a myriad of laws, regulations, policies, and processes intended to identify and protect critical technologies. Several programs regulate weapons and defense-related technology exports and investigate proposed foreign acquisitions of U.S. national security-related companies (see Table 1). Several of these programs are inherently complex. Multiple departments and agencies representing various interests, which at times can be competing and even divergent, participate in decisions about the control and protection of critical U.S. technologies.

<b>Table 1</b> <b>U.S. Government Programs for the Identification and Protection of Critical Technologies</b>		
<b>Agencies</b>	<b>Program's Purpose</b>	<b>Legal Authority</b>
<b>Militarily Critical Technologies Program</b>		
Department of Defense	Identify and assess technologies that are critical for retaining U.S. military dominance	<i>Export Administration Act of 1979, as amended</i>
<b>Dual-Use Export Control System</b>		
Department of Commerce (Commerce) (lead); Department of State (State); Central Intelligence Agency; and Departments of Defense, Energy, Homeland Security, and Justice	Regulate export of dual-use items by U.S. companies after weighing economic, national security, and foreign policy interests	<i>Export Administration Act of 1979, as amended</i>
<b>Arms Export Control System</b>		
State (lead) and Departments of Defense, Homeland Security, and Justice	Regulate export of arms by U.S. companies, giving primacy to national security and foreign policy concerns	<i>Arms Export Control Act, as amended</i>
<b>Foreign Military Sales Program</b>		
State and Department of Defense (leads) [and] Department of Homeland Security	Provide foreign governments with U.S. defense articles and services to help promote interoperability while lowering the unit costs of weapon systems	<i>Arms Export Control Act, amended</i>
<b>National Disclosure Policy Process</b>		
State, Department of Defense, and intelligence community	Determine the releasability of classified military information, including classified weapons and military technologies, to foreign governments	<i>National Security Decision Memorandum 119 of 1971</i>
<b>Committee on Foreign Investment in the United States (CFIUS)</b>		
Department of the Treasury (lead); Commerce; Departments of Defense, Homeland Security, Justice, State, [and] Energy (non-voting); and Director of National Intelligence (non-voting)*	Investigate the impact of foreign acquisitions on national security and suspend or prohibit acquisitions that might threaten national security	<i>Foreign Investment and National Security Act of 2007; Defense Production Act of 1950, as amended</i>
<b>National Industrial Security Program</b>		
Department of Defense (lead), applicable to other departments and agencies	Ensure that contractors (including those under foreign influence, control, or ownership) appropriately safeguard classified information in their possession	<i>Executive Order No. 12829 of 1993</i>
<b>Anti-Tamper Policy</b>		
Department of Defense	Establish anti-tamper techniques on weapons systems when warranted as a method to protect critical technologies on these systems	Defense Policy Memorandum, 1999
The committee can also include members the President determines necessary on a case by case basis.		



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We have previously reported that each program has its own set of challenges—such as poor coordination, inefficient program operations, and a lack of program assessments—challenges that are not always visible or immediate but increase the risk of military gains by entities with interests contrary to those of the United States and of financial harm to U.S. companies. Others, including the Office of the National Counterintelligence Executive, congressional committees, and inspectors general, have also reported on vulnerabilities in these programs and the resulting harm—both actual and potential—to U.S. security and economic interests.

In the decades since these programs were put in place, significant forces have heightened the U.S. Government's challenge of weighing security concerns with the desire to reap economic benefits. Most notably, in the aftermath of the September 2001 terrorist attacks, the threats facing the nation have been redefined. In addition, the economy has become increasingly globalized as countries open their markets and the pace of technological innovation has quickened worldwide. Government programs established decades ago to protect critical technologies may be ill-equipped to weigh competing U.S. interests as these forces continue to evolve in the 21st century. Accordingly, in 2007, we designated the effective identification and protection of critical technologies as a government-wide high-risk area and called for a strategic re-examination of existing programs to identify needed changes and ensure the advancement of U.S. interests.

### **Vulnerabilities and Inefficiencies Undermine the Export Control System's Ability to Protect United States Interests**

The challenges that we identified in the government's programs to protect critical technologies are evident in the U.S. export control system. Specifically, over the years, we have identified interagency coordination challenges, inefficiencies in the system, and a lack of assessments.

First, the various agencies involved in export controls have had difficulty coordinating basic aspects of the system, resulting in jurisdictional disputes and enforcement challenges. The U.S. export control system for weapons and defense-related technologies involves multiple federal agencies and is divided between two regulatory bodies—one led by DOS for weapons and the other led by DOC for dual-use items, which have both military and commercial applications. In most cases, DOC's controls over dual-use items are less restrictive than DOS's controls over weapons and provide less up-front government visibility into what is being exported. Because DOS and DOC have different restrictions on the items they control, determining which exported items are controlled by DOS and which are controlled by DOC is fundamental to the U.S. export control system's effectiveness. However, DOS and DOC have disagreed on which department controls certain items. In some cases, both departments have claimed jurisdiction over the same items, such as certain missile-related technologies. Such jurisdictional disagreements and problems are often rooted in the departments' differing interpretations of the regulations and in minimal or ineffective coordination between the departments. Unresolved disagreements ultimately allow exporters to decide whether to approach DOC or DOS for approval—preventing the government from determining which restrictions apply and the type of governmental review that will occur. Not only does this create [a non-level] playing field and competitive disadvantage—because some companies will have access to markets that others will not, depending on which system they use—but it also increases the risk that critical items will be exported without the appropriate review and resulting protections. Despite these risks, no one has held the departments accountable for making clear and transparent decisions about export control jurisdiction.

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Jurisdictional disagreements create considerable challenges for enforcement agencies in carrying out their respective inspection, investigation, and prosecution responsibilities. For example, obtaining timely and complete information to confirm whether items are controlled and need a license is a challenge. In one case, federal investigative agents executed search warrants based on DOC's license determination that missile technology-related equipment was controlled. Subsequently, DOC determined that no license was required for this equipment; and the case was closed. In addition, agencies have had difficulty coordinating investigations and agreeing on how to proceed on cases. Coordination and cooperation often hinge on the relationships individual investigators across agencies have developed. In a positive development, the Department of Justice recently established a task force with other agencies responsible for enforcing export controls to address overlapping jurisdiction for investigating potential violations and poor interagency coordination.

A second challenge relates to licensing inefficiencies that have further complicated the export control system. Despite DOS's past efforts to improve the efficiency of its process, we reported in 2007 its median processing times for license applications had doubled between fiscal years 2003 and 2006—from 13 days to 26 days—and its backlog of license applications reached its highest level of over 10,000 cases at the end of fiscal year 2006. While reviews of export license applications require time to deliberate and ensure that license decisions are appropriate, they should not be unnecessarily delayed due to inefficiencies nor should they be eliminated for efficiency's sake—both of which could have unintended consequences for U.S. security, foreign policy, and economic interests. Recently, DOS took steps to analyze its export license process and restructure its workforce to reduce processing times and decrease the number of open cases. While DOC closed significantly fewer license cases than State in fiscal year 2006—many items DOC controls do not require licenses for export to most destinations—it is important to understand the overall efficiency of DOC's licensing process. Yet Commerce has not assessed its licensing review process as a whole.

Finally, neither DOS nor DOC have systematically assessed their priorities and approaches to determine the overall effectiveness of their programs nor identified corrective actions that may be needed to fulfill their missions—despite heightened terrorism and increased globalization, which have significantly changed the national security environment. As a result, State does not know how well it is fulfilling its mission. DOC officials acknowledged that they had not comprehensively assessed the effectiveness of dual-use export controls in protecting U.S. national security and economic interests. Instead, they stated they conducted an ad hoc review of the dual-use system after the events of September 2001 and determined that no fundamental changes were needed. We were unable to assess the sufficiency of this review because DOC did not document how it conducted the review or reached its conclusions. Recently, DOC established a new measure to assess exporter compliance, which we have not evaluated. To be able to adapt to 21st century challenges, federal programs need to systematically reassess priorities and approaches and determine what corrective actions may be needed to fulfill their missions. Given their export control responsibilities, DOS and DOC should not be exceptions to this basic management tenet.

## **Conclusions**

Over the years, we have made numerous recommendations to the relevant agencies, including improving interagency coordination and obtaining sufficient information for decision making. Recently, agencies have taken several actions that may improve individual programs and processes in the export control system. However, the effectiveness of the existing system for protecting critical technologies depends on agencies working collectively. Our work in this area demonstrates

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the vulnerabilities and inefficiencies of the overall system. Consequently, we have called for the executive and legislative branches to conduct a fundamental re-examination of the current programs and processes, which remains to be done. This hearing will contribute to that re-examination.

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# **Confronting New Challenges Facing United Nations Peacekeeping Operations**

**By  
Susan E. Rice**

**Permanent Representative to the United Nations**

[The following are excerpts from Susan E. Rice's opening statement to the House Foreign Affairs Committee, Washington, D.C., July 29, 2009.]

I am particularly pleased to make my first appearance on the Hill as the U.S. Permanent Representative to the United Nations (U.N.) to discuss an issue that has enjoyed such strong bipartisan support for more than sixty years. From the Truman Administration's backing of the first dispatch of the U.N. military observers in the Middle East in 1948 to the Bush Administration's support for unprecedented growth in U.N. peacekeeping between 2003 and 2008, the United States has repeatedly turned to the U.N., and its peacekeeping capacity, as an essential instrument for advancing our security.

Increasing the effectiveness and the efficiency of peacekeeping is one of the Obama Administration's highest priorities at the U.N. The Administration recognizes that many of today's peacekeeping operations face significant limitations and challenges. But like our predecessors, we know that the U.N. peacekeeping addresses pressing international needs and serves our national interests. There are five compelling reasons why it is in the U.S. national interest to invest in U.N. peacekeeping.

First, U.N. peacekeeping delivers real results in conflict zones. U.N. peacekeepers can provide the political and practical reassurances that warring parties often need to agree to and implement an effective cease-fire. Their deployment can help limit or stop the escalation of armed conflict and stave off wider war.

Today's U.N. operations do much more than just observe cease-fires. They provide security and access so that humanitarian aid can reach the sick, the hungry, and the desperate. They help protect vulnerable civilians and create conditions that will allow refugees to return home. And they help emerging democracies hold elections and strengthen the rule of law.

Many countries are more peaceful and stable today due to U.N. peacekeeping. In recent years, U.N. peacekeepers helped avert an explosion of ethnic violence in Burundi, extend a fledgling government's authority in Sierra Leone, keep order in Liberia, and take back Cité Soleil from the lawless gangs in Haiti. All of these countries, I should note, now enjoy democratically elected governments.

Second, U.N. peacekeeping allows us to share the burden of creating a more peaceful and secure world. America simply cannot send our fighting forces to every corner of the globe wherever war breaks out. Today, U.N. peacekeeping enlists the contributions of some 118 countries, which provide more than 93,000 troops and police to fifteen different U.N. operations. We are grateful for our partners' efforts to forge a safer, more decent world.

This is burden sharing at its most effective: The U.S., as was mentioned earlier by Mr. Delahunt, currently contributes 93 military and police personnel to U.N. operations, approximately 0.1 percent

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of all uniformed U.N. personnel deployed worldwide. Sixty-five countries contribute more than the United States, including the other four permanent members of the Security Council.

Third, U.N. peacekeeping is cost-effective. The total cost of U.N. peacekeeping is expected to exceed \$7.75 billion this year. As large as this figure is, it actually represents less than 1 percent of global military spending. The United States contributes slightly more than a quarter of the annual costs for U.N. peacekeeping. The European Union countries and Japan together pay more than half of the U.N.'s peacekeeping bill. We estimate that the U.S. share of the Fiscal Year (FY) 2009 costs will reach, as Ms. Ros-Lehtinen had pointed out, about \$2.2 billion. We are grateful to Congress for the appropriations that will enable us to make our payments in full during FY 2009, as well as address arrears accrued from 2005 to 2008.

But let's be plain. \$2.2 billion is a lot of money; but the costs of inaction would likely be far greater, both in blood and treasure. According to the same Government Accountability Office (GAO) report that Mr. Delahunt referenced in 2006, the U.S. contribution to the U.N. mission in Haiti was \$116 million for the first 14 months of the operation, roughly an eighth of the cost of a unilateral American mission of the same size and duration. That works out to 12 cents on the dollar money that seems particularly well-spent when one recalls that the arrival of U.N. peacekeepers in Haiti let American troops depart without leaving chaos in their wake.

Fourth, the U.N. is uniquely able to mount multi-faceted operations. We have learned in Iraq, Afghanistan, and elsewhere how important it is to have an integrated, comprehensive approach. The U.N. has particular expertise here and can pull political, military, police, humanitarian, human rights, electoral, and development activities under the leadership of a single individual on the ground.

Fifth, sometimes warring parties won't let other outside actors in except for the U.N. Governments, rebels, warlords, and other antagonists often do not want foreign forces in their country. But the U.N.'s universal character and its unique legitimacy can make it a little easier for some governments and opposition elements to decide to let constructive outsiders in. All of these factors make the U.N. peacekeeping an effective and dynamic instrument for advancing U.S. interests. At the same time, we must be clear about the very real challenges facing U.N. peacekeeping, especially its missions to Africa. And let me highlight three of these challenges.

First, the sheer volume and growth of peacekeeping has put the U.N. and its missions under severe strain. Over the past six years, the U.N. has had to launch or expand eight missions in rapid succession. In 2003, the U.N. had about 36,000 uniformed personnel deployed around the world. Today, as I just said, it's more than 93,000. U.N. officials are the first to acknowledge that it has been difficult to generate, recruit, and deploy the numbers of personnel required, while keeping quality high and ongoing improvements on track. A series of initiatives started in 2000 and continued in 2007 greatly enhanced the U.N.'s administrative and logistical support capabilities, but they never envisioned the scale and scope of today's deployments. So, there is much still to be done.

Second, the U.N. is being asked to take on harder, riskier operations, often without the support and capabilities it needs from member states. The Security Council has recently given some very ambitious mandates to peacekeeping operations in Africa, such as protecting civilians under the threat of physical violence, including sexual violence, in vast and populous territories with limited infrastructure, faltering peace processes, ongoing hostilities, and uncooperative host governments.

Consider what the world is asking of the United Nations - African Union Mission in Darfur (UNAMID). Darfur is about the size of California, with a pre-war population of 6.5 million people.

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Only 20,000 peacekeepers, and we are not even yet at that strength, are inherently limited in their ability to patrol territory so vast and to protect so many civilians. Imagine how much more difficult their task becomes, as it has, when the host government actively hinders their efforts, the parties balk at cease-fire talks, and the peacekeepers are deployed below their full operating capacity.

The government of Sudan has repeatedly failed to cooperate with international peacekeepers and humanitarian workers, denying them access, expelling international humanitarian groups, refusing entry visas for desperately needed personnel, and blocking the delivery of critical logistical support. While President Obama's Special Envoy on Sudan, General Scott Gration, helped persuade the government of Sudan to let four new humanitarian non-government organizations (NGOs) in, we continue to urge Khartoum to fill the gaps in critical humanitarian aid services and to improve its cooperation with UNAMID.

The UNAMID is now only at 69 percent of the 19,500 troops it was authorized to field and only 45 percent of its authorized police strength. The United States has provided over \$100 million worth of heavy equipment and training, as well as \$17 million worth of airlift assistance for African peacekeepers in Darfur; and as was just mentioned, we helped secure a pledge of five tactical-helicopters for UNAMID from the government of Ethiopia. But you may recall that UNAMID continues to plead with the international community, now for over two years, for eighteen medium-sized utility helicopters and about 400 personnel to fly them and maintain them. The missions in Chad and the Congo also lack critical helicopter units to enable them to quickly deploy to areas where vulnerable civilians need their help most.

And, third, host governments often lack the security and rule-of-law capacities needed to take over successfully from U.N. peacekeepers when they leave.

Let me flag one brief example: Liberia, which has made considerable progress during the last six years that United Nations Mission in Liberia (UNMIL), the U.N. Mission, has been on the ground, I saw for myself in May 2009, when I led a Security Council mission to Liberia. But Liberia's army, police, justice, and prisons systems are very weak; poverty, unemployment, and violent crime are high; disputes over land and ethnicity persist. The country's hard-won progress would unravel if peacekeepers leave too soon. So, it will take concerted action by many actors to meet these difficult challenges facing U.N. peacekeeping. It will also take U.S. leadership in areas where we are uniquely able to provide it. And the new Administration is moving ahead swiftly on five particularly important fronts.

First, we are working with our fellow Security Council members to provide credible and achievable mandates for U.N. operations. And we are working on a Presidential Statement with our partners that would outline a better process for formulating peacekeeping mandates and measuring progress in their implementation.

We have demonstrated our commitment to resist endorsing unachievable or ill-conceived mandates, for example by opposing in the present circumstances the establishment of a U.N. peacekeeping mission in Somalia. Peacekeeping missions are not always the right answer; some situations require other types of U.N.-authorized military deployments, such as regional efforts or multinational forces operating under the framework of a lead nation. And effective mediation needs to precede and accompany all peacekeeping efforts, if they are to succeed.

Second, we are breathing new life into faltering peace processes where peacekeeping operations are currently deployed. Our objective is to get the parties in fragile peace talks to abide by their



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commitments, to cooperate with peacekeepers, and build mutual trust. Our most immediate priorities in Africa are Darfur and Sudan's North-South peace process, the Great Lakes region, and the Horn of Africa.

Third, we will do more to help expand the pool of willing and capable troop and police contributors. Our immediate priority is to help secure the capabilities that the missions in Darfur, Chad, and the Democratic Republic of Congo need to better protect civilians under imminent threat. But we are also pursuing more long-term efforts.

Since 2005, the U.S. Global Peace Operations Initiative (GPOI), and its African component, Africa Contingency Operations Training Assistance (ACOTA), have focused on training the peacekeepers needed to meet this spike in global demand. And as of this month, the program had trained more than 81,000 peacekeepers and helped deploy nearly 50,000 of them to peacekeeping operations around the world.

We must also prime the pump to generate even more peacekeepers. Other countries' willingness to provide troops and police is likely to increase if they see that key Security Council members, including the United States, not only value their sacrifice but respect their concerns. The United States, for our part, is willing to consider directly contributing more military observers, military staff officers, civilian police, and other civilian personnel, including more women I should note to U.N. peacekeeping operations. We will also explore ways to provide initial enabling assistance to peacekeeping missions, either by ourselves or together with partners.

Fourth, we will help build up host governments' security sectors and rule-of-law institutions, as part of an overall peace-building strategy. Our immediate priorities in this regard are Haiti, Liberia, and the Democratic Republic of Congo (DRC), three places where such efforts could help let U.N. peacekeeping missions depart sooner.

As a host government's capacities grow, the role of a U.N. mission can be reduced. But we will not be rushed out of lasting results. We have made it abundantly clear to our Security Council partners that while we seek to lessen the peacekeeping load, as appropriate, we will not support arbitrary or abrupt efforts to downsize or terminate missions.

And finally, the United States will pursue a new generation of peacekeeping reforms from the U.N. Secretariat. We will support reforms that help achieve economies of scale and realize cost savings that:

- Strengthen oversight, transparency, and accountability
- Improve field personnel and procurement systems
- Strengthen the process of mission planning
- Reduce deployment delays and encourage stronger mission leadership
- Clarify the roles and responsibilities of all U.N. actors, in the field and at headquarters

The Administration is also encouraging reform efforts that elevate performance standards and prevent fraud and abuse, including sexual exploitation. The U.N. has taken several critical steps in recent years to establish and implement a zero-tolerance policy for sexual exploitation and abuse by U.N. peacekeeping personnel—including establishing a well-publicized code of conduct and creating Conduct and Discipline Units in the field to perform training, carry out initial investigations, and

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support victims. The Administration strongly supports these measures, and we will remain vigilant to ensure that they are implemented effectively.

It is pragmatism and a clear sense of America's interests that drives us to support U.N. peacekeeping. And it is also pragmatism and principle that drive us to pursue critical reforms in this important national security tool. We need peacekeeping missions that are planned well, deployed quickly, budgeted realistically, equipped seriously, led ably, and ended responsibly. I look forward to your questions, your good counsel, and your continued support as we work together to build a more secure America and a more peaceful world.

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# **United States Department of State Surpasses Target of 75,000 Trained Peacekeepers by 2010**

**By  
Bureau of Public Affairs  
United States Department of State Office of the Spokesman,  
July 23, 2009**

The United States has surpassed its commitment, adopted at the 2004 G-8 (Group of Eight Top Economic Word Powers), to include:

Canada	United Kingdom	France	Russia
Japan,	German	Italy	The United States

Sea Island Summit goal is to train and equip 75,000 new peacekeepers to be able to participate in peacekeeping operations worldwide by 2010. As of this month, the Department of State's Global Peace Operations Initiative (GPOI) has succeeded in training and equipping more than 81,000 new peacekeepers and has facilitated the deployment of nearly 50,000 peacekeepers to 20 United Nations (U.N.) and regional peace support operations to secure the peace and protect at-risk populations in the Democratic Republic of the Congo, Haiti, Lebanon, Somalia, and Sudan. Additionally, GPOI provides support to the Italian-led Center of Excellence for Stability Police Units that instructs stability/formed police unit trainers and has graduated over 2,000 trainers from 29 countries.

This commitment to enhance global peacekeeping capabilities was made in support of the G-8 Action Plan to Expand Global Capability for Peace Support Operations, which was adopted at the 2004 G-8 Sea Island Summit. The bulk of the training in support of this commitment has been conducted in Africa by GPOI's Africa Contingency Operations Training and Assistance (ACOTA) Program. Other G-8 member states are also making significant contributions to fulfilling commitments made under the G-8 Action Plan through efforts to build capacity for global peace support operations, which are often in partnership with or complementary to the United States' projects.

GPOI represents the U.S. government's contribution to the 2004 G-8 Action Plan to increase global capacity to meet the growing requirement and complexity of peace support operations. GPOI has provided peace support operations training and non-lethal equipment for the militaries of 56 partner countries in Africa, Asia, Europe, and Central/South America, as well as staff training, technical assistance, equipment, and building refurbishments for two regional headquarters and 23 peace support operations training centers.

GPOI capacity building activities are implemented through partnerships between the Department of State and the Department of Defense. United States [geographic] combatant commands (GCCs) including Africa Command, Central Command, European Command, Pacific Command, and Southern Command, play critically important implementing roles. The U.S. coordinates extensively with international and regional organizations, especially the U.N., to maximize complementarities and reduce redundancies in global peace support operations capacity building efforts.

Starting in October 2009, GPOI will embark on its second phase fiscal years 2010 through 2014 in which it will build on its success with a shift in focus from providing direct training to increasing the self-sufficiency of partner countries to conduct sustainable, indigenous peace support operations training on their own. In doing so, GPOI will help partner countries achieve full operational

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capability in peace support operations training and consequently develop stronger partners in the shared goal of promoting peace and stability in post-conflict societies.

Information about GPOI is available at <http://www.state.gov/t/pm/ppa/gpoi/index.htm>.

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# **United States Secretary of Defense Gates Visits Philippines to Reaffirm United States Commitment**

**By  
Fred W. Baker III  
*American Forces Press Service Contributing Author***

[The following article is provided courtesy of the Pacific Command web site: [http://www.pacom.mil/web/Site\\_Pages/Media/News.shtml](http://www.pacom.mil/web/Site_Pages/Media/News.shtml)].

Defense Secretary Robert M. Gates made a brief stop [in the Philippines] June 1, 2009 to reaffirm U.S. commitment to the country's fight against terrorism. Gates met with his counterpart, Philippine Defense Secretary Gilberto Teodoro, to discuss the way ahead for military cooperation between the two countries.

We are partners, Gates said at a news conference following his meeting with Teodoro. We will continue to strongly support their efforts to defeat terrorists and extremists threatening their country and the region. Together, we will not relent until this threat is eliminated.

This is Gates' first trip to the country as Defense Secretary. A U.S. Defense Secretary has not visited the country for nearly a decade and it also is the first Cabinet-level visit under the new U.S. Administration, signaling a renewed emphasis on relations in the region. Gates said the two countries' relationship should evolve into a broader, more strategic one as the Philippines is taking on a larger security role on the world stage in combating international terrorism.

The Philippines can play an important role in regional peace and security, the Secretary said. There is a lot we can do together, and I think we will be looking for those kinds of opportunities to continue ...to broaden and deepen the relationship.

During the visit, Gates met with both U.S. and Philippine troops, praising their efforts there. Gates and Teodoro talked about how to move forward to build capacity of the Philippine armed forces, which Gates said is a fundamental tenet of American foreign policy in the new Administration. The Secretary said he has shifted hundreds of millions of dollars into the fiscal 2010 budget for such partner-nation capacity building.

The stronger the foundation we can build under these partner relationships, the longer they're likely to last; and the more effective they'll be, he said.

No specifics were detailed as to how the U.S. plans to aid in building the capacity of the Philippine armed forces. But a senior defense official speaking on background said the department will continue to support Philippine forces fighting terrorist groups in the southern part of the country. And, he said, the United States would like to look at ways to go beyond that help.

About 600 U.S. forces are in the country now, advising and assisting Philippine forces in their fight against terrorist groups that have established training grounds and safe havens there. U.S. troops began operating there shortly after the September 11, 2001 terrorist attacks on the United States. Terrorist groups were using Philippine safe havens to launch attacks across the globe. U.S. troops help to train and equip the forces but do not fight with the Filipinos in combat. They also provide intelligence support and conduct civil-military operations.

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Since 2001, the Philippine forces have grown stronger, partly due to a reform program put in place by their government the same year, the official said.

The threat from the international terrorist group in the region has gone down, he said. There are fewer hostage takings, and there are fewer terrorists and fewer terrorist attacks.

Gates' trip [to the Philippines] was delayed by a day because of mechanical problems with his aircraft after he attended an Asia security summit in Singapore. The Secretary laid a wreath at the Manila American Cemetery and Memorial. More than 17,200 American military troops are buried there, most of whom died in the defense of the Philippines and East Indies in 1941 and 1942. The names of more than 36,000 missing U.S. service members are inscribed in the memorial.



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# **Developing a Coordinated and Sustainable United States Strategy Toward Somalia**

**By  
Assistant Secretary of State Johnnie Carson  
Bureau of African Affairs**

[The following are excerpts from testimony before the U.S. Senate Committee on Foreign Relations' Subcommittee on African Affairs Hearing, May 20, 2009.]

As you know, Somalia finds itself embroiled in a cycle of violence and instability despite promising efforts in recent years by the international community and Somali leadership to create an inclusive and stable government. I would like to note, though, that despite the best efforts of violent extremists to overthrow the Transitional Federal Government (TFG) by force, the TFG remains standing and determined to move forward. This latest round of fighting occurs as we enter a new chapter in the recent history of international efforts to assist Somalia in solving its long-standing crisis. Since the overthrow of the Siad Barre regime in 1991, there have been several distinct approaches taken by the international community to address the many crises that have enveloped Somalia. In 1992, the international community authorized the United Nations Operation in Somalia (UNOSOM I), in an effort to stave off starvation and a wider humanitarian crisis caused by civil war. This effort proved ineffective; and a second United Nations (U.N.) operation, the Unified Task Force (UNITAF), entered Somalia in December 1992 under the name Operation Restore Hope. While this operation successfully restored some order, UNITAF was eventually replaced by a third mission, also known as the UNOSOM II. It was during the United States' participation in UNOSOM II, in October 1993, that the tragic events described in *Black Hawk Down* occurred, leading to an eventual withdrawal of U.S. forces, and ultimately, the withdrawal of the majority of the international community from Somalia.

U.S. re-engagement with Somalia did not begin again until 1996, when our policy shifted to one of containment. For the next decade, U.S. policy focused on containing Somalia's problems within the country's borders so the instability did not further destabilize the region.

In 2006, the Islamic Courts Union (ICU) defeated an alliance of militias known as the Alliance for the Restoration of Peace and Counter-Terrorism and became the first entity since the collapse of the Barre regime to exert control over most of South-Central Somalia. This change in the balance of power in Somalia was significant, as we faced a government in Somalia that was unfriendly to the United States and harbored and provided sanctuary to a number of known terrorists. Ethiopia's intervention in late 2006 was another turning point that resulted in increased American interest in Somalia. Given the threats posed by the ICU's harboring of terrorists, the U.S. government's (USG's) Somalia strategy focused on the immediate terrorist threats.

The Djibouti Peace Process began in 2008 and led to the formation of the current Transitional Federal Government, an expanded Transitional Federal Parliament that includes members of the Djibouti faction of the Alliance for the Re-liberation of Somalia, and the election by parliament of President Sheikh Sharif Sheikh Ahmed. These are all significant steps forward for Somalia. Somalia now has at least the start of a government that is broadly representative of the Somali clan and societal landscape.

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However, Somalia is clearly in crisis. Approximately 43 percent of the population of Somalia relies on humanitarian assistance to survive, and nearly 500,000 Somalis have fled their country and now live in overcrowded refugee camps throughout the region. The TFG controls only a small portion of the territory; and the vast majority of Somalia is controlled by militias, clans, or terrorist organizations. The blight of piracy off the coast of Somalia is without question a symptom of the instability and insecurity within Somalia; without stability in Somalia, there can be no long-term resolution of the piracy problem. Furthermore, al-Shabaab, a designated Foreign Terrorist Organization (FTO), continues to harbor terrorists, target civilians and humanitarian workers, and attempt to overthrow the TFG through violent means. The resolution of these problems calls for a comprehensive solution that provides stability and promotes reconciliation, economic opportunity, and hope for the Somali people.

The Obama Administration is working to address these challenges. The National Security Council (NSC) has brought together the Department of State (DOS), the Department of Defense (DOD), U.S. Agency for International Development (USAID), the intelligence community, and a variety of other agencies to work to develop a strategy that is both comprehensive and sustainable. Such a strategy must be built around our work with international partners, including the U.N., African Union, the European Union, Inter-Governmental Authority on Development (IGAD), International Contact Group on Somalia (ICG), and the Contact Group on Piracy off the Coast of Somalia, among others, to achieve our foreign policy goals in Somalia of political and economic stability, eliminating the terrorist threat, addressing the dire humanitarian situation, and eliminating the threat of piracy. We are also working with other states in the region, as Somalia's challenges are intertwined with other conflicts and issues throughout the Horn of Africa.

The U.S. continues to assist the TFG in the development of a Somali security sector, which is crucial for the success of governance efforts in Somalia. With Congress' assistance, we have already committed to providing \$10 million to support the creation of a National Security Force as part of this effort; and we are also working to strengthen the TFG's capacity so the U.S. and others in the international community can provide additional assistance. We are also the largest supporter of the African Union Mission in Somalia (AMISOM), which facilitates the delivery of humanitarian assistance to Somalia, protects key installations in Mogadishu, and provides political space for a Somali-led reconciliation process. Since the deployment of AMISOM in 2007, the U.S. has provided \$135 million for logistical and equipment support and pre-deployment training for the Burundian and Ugandan forces on the ground. We plan to continue this level of support in the future. Furthermore, the U.S. remains the largest bilateral donor of humanitarian assistance to Somalia, having provided more than \$137 million in emergency food and non-food assistance to date in FY 2010.

Unfortunately, we do not have the luxury of time in Somalia. In the past two weeks, violent extremists, including al-Shabaab and a loose coalition of forces under the banner of Hizbul al-Islam, have been attacking TFG forces and other moderates in Mogadishu in an attempt to forcefully overthrow the transitional government. We have clear evidence that Eritrea is supporting these extremist elements, including credible reports that the Government of Eritrea continues to supply weapons and munitions to extremists and terrorist elements. We have publicly warned Eritrea to stop its illegal arming of terrorists immediately, as such support threatens the stability of Somalia and of the wider region, as well as creates a serious obstacle to the possibility of a new Eritrean relationship with the U.S.

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There is also clear evidence of an al Qaeda presence in Somalia. In 2008, East Africa al Qaeda operative Saleh Al-Nabhan distributed a video showing training camp activity in Somalia and inviting foreigners to travel there for training. A small number of senior al Qaeda operatives have worked closely with Al-Shabaab leaders in Somalia, where they enjoy safe haven. We have credible reports of foreigners fighting with al-Shabaab. This further underscores the importance of urgent and decisive support to the TFG and engagement with states across the region and beyond.

The collapse of the TFG would be detrimental to the long-term stability of Somalia, and it would negate the tremendous progress that has been made to date in the Djibouti Peace Process and in restoring a semblance of normalcy and peace in Somalia. The Administration is considering ways in which we and our international partners can help to support and bolster the TFG, and we will continue to support AMISOM.

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## **Under Secretary Building United States Public Diplomacy Team**

**By**  
**John T. Bennett**  
*Defense News Contributing Author*

[The following article originally appeared on the *Defense News* web site, July 16, 2009.]

United States Under Secretary of Defense for Policy Michele Flournoy is creating a small team that will coordinate and improve how the Pentagon and other federal entities explain Washington's national security policies, sources tell *The Defense News*. The move, part of a broader shake-up of the Pentagon's top policy-making office, is meant to craft communications strategies that "are a little more attuned to our international partners' concerns," one source said.

It is intended to help bring about the Obama Administration's goal of reaching out to and winning over populations in nation's key to America's ongoing conflicts, such as Afghanistan and Pakistan, sources said. Its focus will not be solely on how U.S. policies are received overseas. Sources say the team also will be tasked with reaching out to key members of Congress on specific issues. The team will lead internal Pentagon coordination of public diplomacy and strategic communications efforts, and it will collaborate with similar offices across Washington's national security apparatus, sources said.

The Obama Administration officials came into the Pentagon believing this had to be done better and these plans needed to be much more thought through . . . across the government, the source said.

The Pentagon on July 15, 2009 confirmed plans to create the team. Flournoy is "establishing a small team with responsibility for global strategic engagement issues," said Army Lieutenant Colonel Jonathan Withington, a Pentagon spokesman. "This team will assist policy offices and senior leaders with the development of outreach and engagement plans and will help coordinate DoD-wide engagement efforts."

Withington said the team will be composed of about five existing policy shop employees and will be headed by Rosa Brooks, a principal adviser to Flournoy and a former *Los Angeles Times* columnist. The goal is to "improve overall coordination of Department of Defense public diplomacy and strategic communication efforts," the spokesman said.

One former Army Commander, Douglas Macgregor, who now writes on military reform for the Center for Defense Information, said the team will have little impact.

We are deluding ourselves. Its American hubris unchained. Maybe Karen Hughes should be brought back to DoD . . . she performed the tasks in the Department of State under former President George W. Bush, MacGregor said.

Then, perhaps Petraeus and Odierno can jointly drive in open cars through the streets of Baghdad to accept the gratitude of the Iraqi Arabs for their liberation, he said in jest.

He was referring to Army General David Petraeus, the Chief of U.S. Central Command, and Army General Raymond Odierno, Commander of American forces in Iraq.

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The public policy team's primary charge "will be heavy on coordination," Withington said, calling its focus an "agglomeration of outreach and engagement efforts abroad and in Washington." At home, the team will work closely with the Pentagon's legislation affairs shop "on issues where we need to improve key relationships on the Hill," Withington said.

Its work on how U.S. policies are perceived abroad, he said, will be conducted in close coordination with the policy shop's regional offices for international security affairs, Asian and Pacific Affairs, and homeland defense and America's security affairs, as well as with other federal agencies. As part of the Obama Administration's policy shop reorganization, most functions once carried out by the now-former Office of Support to Public Diplomacy were transferred to those regional directorates, each headed by an Assistant Secretary of Defense.

DoD has a statutory obligation to support public diplomacy, Withington said, and policy's regional offices now have primary responsibility for defense support to public diplomacy, in coordination with appropriate functional policy offices.

Further, the Brooks-led team will work to find ways the Pentagon can work with think tanks, universities, and non-governmental organizations on how to craft better strategic communications and public diplomacy efforts. The team will operate within the policy shop's existing annual budget, Withington said.

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## House Foreign Affairs Committee Pushes Bill to Bolster Diplomacy and Development

[The following article is courtesy of the *Defense Security Cooperation Agency Newsletter*, Volume 4, Number 19, May 2009.]

The House Foreign Affairs Committee approved comprehensive legislation to shore up U.S. foreign policy efforts, the *Foreign Relations Authorization Act for Fiscal Years 2010 and 2011* (H.R. 2410), in 2009.

For far too long, we have failed to provide the Department of State (DOS) with the resources it needs to fill critical overseas posts, provide adequate training, and ensure effective oversight of the programs that it manages, Committee Chairman Howard L. Berman (Democrat-California) said. With the expansion of U.S. diplomatic responsibilities in the 1990s and the more recent demands of Iraq and Afghanistan, the Foreign Service has been strained to the breaking point. We simply must supply the needed resources now.

Under this legislation, 1500 additional people could join the Foreign Service over the next two years. The bill also contains provisions on recruitment and training of officers to improve the Foreign Service's ability to respond to modern challenges. It requires the DOS to conduct a quadrennial review of its policies and programs that defines objectives, budget requirements, and how these programs fit into the President's national security strategy.

Among other significant measures in the bill are provisions that:

- Strengthen the arms control and nonproliferation capabilities of the DOS
- Reform the system of export controls for military technology and improve oversight of U.S. security assistance
- Ensure that the United States will meet its financial commitments to the United Nations (U.N.) and other international organizations
- Allow financing [of] the refurbishment of helicopters for U.N. peacekeeping missions in Darfur, the Republic of Congo, and Chad
- Establish the Senator Paul Simon Study Abroad Foundation as a new executive branch corporation to expand dramatically the number and economic diversity of U.S. students studying overseas
- Substantially increase the budget of the Peace Corps to support President Obama's goal of doubling the number of Peace Corps volunteers and authorize a plan to use short-term volunteers to respond to humanitarian and development needs
- Broaden the Merida anti-drug trafficking initiative to include the Caribbean and improve monitoring and evaluation of Merida programs
- Increase resources and training for enforcement of intellectual property rights, especially in countries identified by the USG as lax in enforcing those rights

After learning that [the] Administration intends to end the practice of excluding the committed partners of Foreign Service officers from the benefits routinely provided to the spouses and children of officers serving abroad, a provision on this issue was removed from the bill.



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I am deeply committed to ending the long-standing practice of treating the committed partners of gay and lesbian Foreign Service officers like second-class citizens, Berman said. I would not agree to strike a provision in my own bill if I did not feel confident that this would be taken care of by the Administration.

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# **Rebalancing the Force: Major Issues for Quadrennial Defense Review 2010**

**By  
Michèle Flournoy  
Department of Defense Under Secretary for Policy**

[The following are excerpts from a presentation to the Center for Strategic and International Studies (CSIS) on Monday, April 27, 2009. The full text, including and is available at: [http://www.defenselink.mil/policy/sections/public\\_statements/speeches/usdp/flournoy/2009/April\\_27\\_2009.pdf](http://www.defenselink.mil/policy/sections/public_statements/speeches/usdp/flournoy/2009/April_27_2009.pdf).]

It is great to have a chance to talk to you about the Quadrennial Defense Review (QDR) that we have just kicked off. I seem to be unable to escape QDRs, much as I try; but, you know, this one is really, I think, going to be one of the more important ones we have done in a long time. As you know, the QDR is congressionally mandated; and it really provides a vehicle for establishing the Department of Defense's (DOD's) strategic direction in support of the President's national security vision. This one will comprehensively assess the threats and challenges that the United States faces, with an aim to rebalancing U.S. and DOD capabilities and forces in support of the President's strategy and the Secretary's strategy. We are going to seek to better address the needs of today's conflicts, but also tomorrow's threats.

As I said, the QDR will provide an overall strategic framework for the Department's annual processes, including force development, force management, and the fiscal year (FY) 2011 budget bill. We are going to be addressing some very difficult questions of how do we balance our present operational needs with preparing for an uncertain and complex future. The review has to get back to Congress, the results of the review, by early 2010, a little less than a year from now; and Secretary Gates has just signed off on the terms of reference. But many key insights and decisions will actually need to come before then in order to influence the FY 2011 program and budget process.

Today I am probably going to frustrate a lot of you because I am not going to be able to give you the answers that we will have in six months or twelve months, but I thought it was important today to start out with how do we see the strategic environment and what are some of the implications of that environment for U.S. strategy and the QDR?

So let me start by trying to characterize the security environment [as] we see it. I do not think it is an exaggeration to say that we face one of the most daunting inheritances in generations. Most obviously, we are involved in two ongoing wars. We have nearly 200,000 U.S. military personnel currently deployed in harm's way in two conflicts and in the broader fight against extremism, and we are seeking to draw down our forces in Iraq as we shift greater resources towards Afghanistan. But, given the U.S. vital interests at stake in Iraq and the Middle East, this period of transition is likely to occur over some time; and in Afghanistan we are likely to face a commitment that will last for some time. So these two ongoing conflicts will be with us for a while as part of the security picture, but they are not the sum total. There are many new, emerging security challenges that we need to pay attention to: the rise of violent extremist movements more broadly, proliferation of weapons of mass destruction, rising powers and the shifting balances of power, failed and failing states, [and] increasing tensions in the global commons.

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Many of these challenges are fueled and complicated by a number of powerful trends that are fundamentally reshaping the international landscape; and these trends include obviously the global economic downturn, prospects of climate change, cultural and demographic shifts, growing resource scarcity, and the spread of potentially destabilizing technologies. I want to spend a little time saying a word about each one of these; so let me start with the five key security challenges, as I see them.

First, we do, as we all know, face a very long and global struggle against violent extremism. Globalization has clearly brought many benefits to humanity; but, as you know, it is also got a dark side. Revolutions and communications and transportation have enabled the rise of non-state actors, some benign and some very far from benign.

The emergence of al Qaeda and associated groups is just one case in point. And thanks to globalization, such organizations can now both recruit and operate transnationally, challenging states in increasingly significant ways. Despite some very substantial counterterrorism successes in the past decade, al Qaeda continues to morph and regenerate in various theaters. It is now regaining strength in the Pakistan-Afghanistan border region and also spreading elsewhere.

The second key challenge I want to highlight is the proliferation—continued proliferation of nuclear weapons and other weapons of mass destruction, as these also pose increasing threats to our security. We have to respond to states such as Iran [and] North Korea, who are seeking to develop nuclear weapons technologies; and, in a globalized world, there is also an increased risk that non-state actors will find ways to obtain these materials or weapons. And so we have to put particular focus on policing up loose materials, securing weapons stockpiles where they exist, and so forth, hence the President's pledge in Prague to try to really get after this problem in a four-year time frame.

Third, we are witnessing some fundamental shifts in the global balance of power. We are in an increasingly multilateral, multi-polar environment. While the U.S. continues to be the economically and militarily dominant power, states such as China and India are also emerging as major players. In the case of China, we face the challenge of simultaneously engaging [with] and hedging [against them].

We certainly must look forward to new areas of cooperation, whether it is in the case of economic, trade, climate change, and so forth. We also need to continue investing in efforts to counter emerging Chinese military capabilities, be it in the cyber domain with regard to keeping space free of threats and with regard to protecting our access to the critical regions in East Asia. We must also forge strong strategic partnerships with both India and Pakistan while striving to reduce the tensions between these two countries.

Russia also presents both challenges and opportunity. We have all talked about resetting the relationship. And I think there is promise there, but it is also a state that is experiencing some worrisome trends as a somewhat nationalistic and autocratic leadership is empowered by petro wealth.

Fourth, we face increasing threats stemming from state weakness and failure. And here, I think this is really worth significant attention. Historically, most security challenges have come from state strength, from aggressive, powerful states overstepping the bounds of international norms and international law. We are now in a world where many of the security threats we face will come from state weakness and the inability of states to meet the basic needs of their population. There are many states where we see the uneven integration that goes with globalization, weak states that are basically struggling to meet the needs of their population and to secure their own territory. And that leads to the possibility of the emergence of an increasing amount of ungoverned spaces, as we have called them

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and those become potential safe havens for terrorists, for criminal organizations, for illicit activities of all kinds.

Fifth, we also see in some cases the rising tensions in the global commons. And by that I mean sea, space, cyberspace, and so forth. And those are really a lot of the connective tissue of the international system, and we have a very strong economic interest and security interest in keeping those global commons open and free from threat. So, as I said, these are five emerging security challenges and they are made more difficult and more complex by a number of powerful trends. I listed five of these as well, and you can get the trend here. When you work in the Pentagon, you have to think in fives so there are five challenges and five trends.

The first is, as I mentioned, the global economic downturn, which is certainly putting greater pressures on particularly weak states, increasing poverty, increasing inequality, [and] decreasing state resources for coping with some of the challenges I just outlined.

Global climate change, I believe that over time, as the results of this manifest, it's going to be an accelerant. It is going to accelerate state failure in some cases, accelerate mass migration, spread of disease, and even possibly insurgency in some areas as weak governments fail to cope with the effects of global climate change.

Demographic changes this is the third may also prove destabilizing. In some regions we are seeing tremendous youth bulges. We can all point to a number of countries in the Middle East and elsewhere where the average age is twenty or younger. Contrast that with the number of aging societies in Europe, Japan, [and] Russia where you see [a] depopulation trend happening in some of these major powers.

Fourth, key natural resources are increasingly scarce, and we are likely to see in the future increase in competition for everything from oil, gas, [and] water. And so that is likely to exacerbate some of our challenges.

Fifth, we see the continued spread of destabilizing new technologies, not only at the high end such as Weapons of Mass Destruction (WMD), but also at the low end, [be] it Improvised Explosive Devices (IEDs) or the capacity for cyber warfare.

So let us come back to, what does all this mean for the Department of Defense? All of these new challenges and trends really shape the operating environment for the U.S. military, and they will require us to adapt and change. For the military there are two challenges that I would say are particularly acute, and these have been highlighted by Secretary Gates and others.

First, we face the challenge of increasingly hybrid forms of warfare. America's conventional dominance gives our adversaries, both state and non-state actors alike, incentives to explore asymmetric strategies; strategies that they can use to undermine our strengths and exploit our weaknesses. Preparing for this operating environment is extremely challenging because it will pull us, I believe, in and this is a personal view in two very different directions. On the one hand, we must be ready for irregular forms of warfare, warfare among the people, as some of the academics say, in which non-state actors use tactics like IEDs, like suicide bombings, mixing in with the population, mixing noncombatants, combatants and so forth, very much along the lines of what we have experienced in Iraq, Afghanistan, [and] what the Israelis experienced with Lebanon.

On the other hand, we also have to prepare for what I would call high-end asymmetric threats where rising regional powers and rogue states can use highly sophisticated technologies to deny us

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access or deny us the ability to use some of our advantages. Here I am thinking of sophisticated anti-satellite capabilities, anti-air capabilities, anti-ship weapons, undersea warfare, as well as weapons of mass destruction and cyber attacks. So this is a much more high-end manifestation of hybrid warfare, of [the] asymmetric challenge that we also have to be prepared for in the future. And so you can see that we are going to be pulled in different directions in trying to cover the range of challenges in the future.

Further complicating this is the fact that in some cases we may see sort of sophisticated non-state actors using some of these very high-end capabilities, whether it is WMD or things like guided rockets or munitions, as we saw in Lebanon. I think this whole really unpacking hybrid warfare, asymmetric threats, along the spectrum will be one of the principal challenges, intellectual challenges, we face in the QDR, understanding the implications for how we need to shape our forces now and in the future.

Secondly, I would just underscore the second challenge is one I have already mentioned, and that is we are going to have to be prepared to operate in a world in which ongoing challenges from strong states are paralleled by increasing dangers posed by weak and failing states. This idea that state weakness and failure may be an increasing driver of conflict and of situations that require a U.S. military response. So can we cope with all of this? And I can see that I have done a good job of cheering you all up . . . I will not pretend that there are any easy solutions to the problems that we face. They are vast, they are complex but we have to adapt. This is not a choice; it is a necessity. And I do not want to leave you all in a state of despair; so let me spend a little time putting our current situation in context, some historical context, and offer some reasons for optimism.

America has faced similar challenges before, at least a similar magnitude of challenge, and we have both survived and thrived. When you think back to the period right after World War II, we sometimes forget how incredible the challenges were in those years. Europe and large parts of Asia lay in ruins. The global economy had stagnated. The specter of another ideological challenge was rising, and the proliferation of nuclear weapons had begun.

You know, talk about a time of paradigm shifts. It took years for American strategists to determine the best way to deal with these challenges; but by the end of the 1940s, a bipartisan strategy had begun to coalesce around the best way forward. And the core of this strategy, we tend to think of containment; but core to the strategy was actually the idea, a very powerful idea that American interests are deeply intertwined with the health and stability of the international system. During the immediate post-war period, the U.S. played a leading role in creating the international architecture of laws and institutions and norms that helped to create stability in the decades that followed.

Think of it. It is truly amazing when you think of how much creativity and institution building was done in such a short period of time, the U.N., the Bretton Woods agreements, the Geneva Conventions, a whole network of alliances, from the North Atlantic Treaty Organization (NATO) to others, treaties on all manners of subjects.

And the challenges we face today are certainly different than those we faced after World War II, but they are no more insurmountable. And I take solace from this because we have risen to this level and complexity of challenge before, and I believe we can do so again.

We move forward with the QDR, what we are asking is, in this environment, what are some of the principles of strategy that need to guide us going forward? We are in the process of working on national security priorities that will, we hope, become the basis for a new national security strategy.

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In the meantime, we have a very strong national defense strategy that Secretary Gates has articulated; and I think many of the principles and themes that I am going to highlight to you today are very much consistent with those.

So let me divert from my practice of working in fives and talk about six principles, just to keep you on your toes and to show that we in the Pentagon can adapt, so, six core principles.

First, U.S. strategy has to be grounded in pragmatism rather than ideology. We must base our strategy on a clear-eyed assessment of the challenges and the opportunities and be realistic in our objectives, deriving them, rooting them, in our core national interests.

Second, to protect and advance those interests in a very complex world, we have to remain engaged in critical regions around the world. The interconnected nature of the global environment means that events far from our borders can have enormous impacts on our security and domestic well being. Remaining engaged is absolutely essential. Neo-isolationism is not an option. Engagement means shoring up the fundamentals of the international system that I mentioned before:

- Open commerce based on free and fair access to air, sea, space, and cyberspace
- Strong alliance structures based on respect and willingness to share burdens
- Commitment to international norms that shore up and contribute to the advancement of our national interests
- Securing those global goods that are the backbone of a renewed effort to restore and revitalize American global leadership

A third core principle is that our engagement has to be smarter. We need to be more selective about where, when, and how we use the tools of American national power, particularly our military force. At the same time, we need to be more proactive in the use of our soft power and the non-military elements: diplomacy, information, economics, and so forth.

Fourth, the U.S. has to play, not only play by the rules but champion the rules. We must exemplify the respect for the rule of law in everything that we do, abiding by the treaties and norms that we helped to put in place after World War II, returning to our historical role as champion of rule of law domestically and internationally, and leading efforts to adapt the international order to new realities like transnational terrorism. Here I would like to quote something that Vice President Biden has said, sort of a pithy way of putting this. And he said, “We must lead by the power of our example, not just the example of our power.”

A fifth principle to guide us:

We must recognize that allies and partners are absolutely essential. These are not just . . . nice to have. They are not just window dressing. They are inherently, they are essential in a world in which we cannot achieve our own objectives, advance our own security against transnational threats like terrorism, proliferation, global climate change without joining forces with others. And so, as global power balances shift, this will require revitalizing and in some cases actually re-conceptualizing our alliances and partnerships to deal with these challenges. An exercise like NATO’s upcoming Strategic Concept Review is a real opportunity to rethink, what is NATO for, going forward? How do we want to use this alliance in the 21st century?



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I would say that is true across the board with our major alliances and relationships. We also have a direct interest in helping our allies and partners build their capacity to be security contributors, to be able to step up alongside us in shoring up the international system.

Finally, a sixth principle:

We must recognize in everything that we do that in almost all cases, military power. Well, I do not want to say it that way, let me back up and say, we must recognize that in many cases, military power is necessary but not sufficient to deal with 21st century challenges. The United States will continue to require a strong military that is second to none; but complex problems from Iraq, to Afghanistan, to just about anything you can think of, [require] solutions that integrate all the dimensions of our national power and influence. We need to take this idea of whole-of-government approaches seriously, and we need to operationalize it in virtually everything we do.

This will require fairly major reform of our interagency processes and perhaps, most importantly, a much more balanced investment in the instruments of national security, particularly on the civilian side, where we have, for many years, under resourced the tools available to us, and we discover and rediscover that every time we go into an operation, every time we are trying to deploy assets to influence a situation. We simply haven't invested in what we need [to be] effective.

But we also have to revitalize our military to operate in a more whole-of-government context, particularly giving people the training and the education they need to operate in a very interagency environment; in an international environment; and in an environment where members of our military will often be called to do a number of things that are not nearly military in nature, as we've seen in Iraq and Afghanistan, from mediating community disputes in a local village, to rebuilding damaged infrastructure, to managing detention centers, to securing free and fair elections.

This is all part of the world of irregular and hybrid warfare, and we certainly need to build civilian capacity. But there are situations, particularly when the security situation is most dire, when we will have our military folks needing to at least support in some of these non-traditional areas.

So, those are the six broad principles, on top of the five trends and five challenges. And let me just close with a little bit of a discussion about balancing risk. I think this is a key conceptual idea that is framing a lot of how we're thinking in the QDR.

We have some very difficult choices to make in the DOD among competing priorities. One of the reasons why this QDR is so important is that it's a vehicle for us to think in an explicit way about how best to balance strategic risk, how to make choices about where to buy down risk, where to accept and manage it. In a world in which resources are limited, particularly at a time of economic crisis, we have to be very explicit about how we do this. My own thinking about this is I tend to think about this in three ways.

First, we need to balance risk, just among our current priorities, between our commitment to:

- Iraq
- The Afghanistan-Pakistan theater
- The broader global campaign against terrorism
- The health and the readiness of the force

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And I can tell you that Secretary Gates is particularly seized with this latter issue. You will see as the FY 2010 budget comes out, which I can not talk about in detail; but you will see that a major area is investing in the health of the force, trying to reduce the strain on military personnel and families going forward. So this is a critical aspect of balancing risk in the current time frame.

The second area of balancing risk will come with regard to what kinds of investments do we make to prepare for the future? How do we balance between preparing for different kinds of warfare, different points along the spectrum? Traditionally DOD has emphasized the development of capabilities that have really been optimized for conventional forms of warfare at the cost of preparing for, I would argue, forms of hybrid warfare, more asymmetric challenges. This is one of the principal areas we are going to look at in the QDR. We do need a force that would be able to operate across the spectrum of conflict; but given the dearth of traditional conventional threats on the horizon, greater priority should be given to dealing with emerging asymmetric challenges, as I mentioned before, clustered at both the middle and the high end of the spectrum.

Finally, we have to balance between current needs and future needs, between things like current operations and readiness and investment in capabilities for the future: research, development, procurement. How we balance risk over time is going to emerge, I think, as part of this QDR; but it will be a central pillar of what we are doing, a central focus of the review, and certainly of the Secretary's participation in the review.

Let me close with just a few words about process. I talked about whole-of-government approaches. Even the QDR is going to take a more whole-of-government approach, where we are going to consult widely with our interagency partners, with congressional committees, during the process. We will also be ensuring that the QDR is cross-fertilized, if you will, with the Nuclear Posture Review, the Space Posture Review, [and] the Missile Defense Review, which are all going on at the same time.

We will also be seeking feedback beyond the USG. Many of our allies have actually contributed officers to work as part of the QDR staff. We will also be engaging in extensive consultations, not only at the end but throughout the process. And we will be coming out to places like CSIS to ask for help, intellectual help, from think tanks, from the private sector, and elsewhere, because we do not have a monopoly on good ideas.

So our future security and prosperity depends on how much we respond to this rapidly changing and complex environment, how well we adapt. We can choose [to] look backwards and shore up what we're comfortable with, keep doing what we're doing, what we like to do; but that is not necessarily the right path. We need to look forward in a very pragmatic, clear-eyed way and develop the capabilities we need to [respond] across the spectrum to make sure the U.S. is well-positioned to maintain its security and to advance that security in a changing world. This will not be easy. But we have done it before, and I am confident that as we start this review we will be in a position to move the ball down the field with this review.

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# **Foreign Aid: An Introduction to United States Programs and Policy**

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[The following are excerpts of the report prepared for members and committees of Congress by the Congressional Research Service, 9 April 2009.]

## **Summary**

Foreign assistance is a fundamental component of the international affairs budget and is viewed by many as an essential instrument of U.S. foreign policy. The focus of U.S. policy has been transformed since the terrorist attacks of September 11, 2001. This report provides an overview of the U.S. foreign aid program, by answering frequently asked questions on the subject.

There are five major categories of foreign assistance:

- Bilateral development aid
- Economic assistance supporting U.S. political and security goals
- Humanitarian aid
- Multilateral economic contributions
- Military aid

Due largely to the implementation of two new foreign aid initiatives, the Millennium Challenge Corporation and the Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome (HIV/AIDS) Initiative, bilateral development assistance has become the largest category of U.S. aid.

In fiscal year (FY) 2008, the United States provided some form of foreign assistance to about 154 countries. Israel and Egypt placed among the top recipients in FY 2008, as they have since the late 1970s, although on-going reconstruction activities in Iraq and Afghanistan now place those nations near the top as well. The impact of the terrorist attacks on September 11, 2001, and the subsequent use of foreign aid to support the war on terrorism are clearly seen in the estimated country-aid levels for FY 2008. Pakistan and Jordan are key partners in the war on terrorism and major beneficiaries of U.S. assistance. Also among the leading recipients are some African countries that are the focus of the multi-billion dollar HIV/AIDS initiative.

By nearly all measures, the amount of foreign aid provided by the U.S. declined for several decades but has grown in the past few years. After hitting an all-time low in the mid - 1990s, foreign assistance levels since FY 2004, in real terms, have been higher than any period since the early 1950s, largely due to Iraq and Afghanistan reconstruction and HIV/AIDS funding. The 0.19 percent of U.S. gross national product represented by foreign aid obligations for FY 2008 is consistent with recent years, but quite low compared to the early decades of the foreign assistance program. The U.S. is the largest international economic aid donor in absolute dollar terms but is the smallest contributor among the major donor governments when calculated as a percent of gross national income.

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## Foreign Aid: An Introduction to U.S. Programs and Policy

U.S. foreign aid is a fundamental component of the international affairs budget and is viewed by many as an essential instrument of U.S. foreign policy.<sup>1</sup> Each year, it is the subject of extensive congressional debate and legislative and executive branch initiatives, proposing changes in the size, composition, and purpose of the program. The focus of U.S. foreign aid policy has been transformed since the terrorist attacks of September 11, 2001. In 2002, a national security strategy for the first time established global development as a third pillar of U.S. national security, along with defense and diplomacy.

This report addresses a number of the more frequently asked queries regarding the U.S. foreign aid program, its objectives, costs, organization, the role of Congress, and how it compares to those of other aid donors. In particular, the discussion attempts not only to present a current snapshot of American foreign assistance, but also to illustrate the extent to which this instrument of U.S. foreign policy has changed from past practices, especially since the end of the Cold War and the launching of the war on terror.

Data presented in the report are the most current, reliable figures available, usually covering the period through FY 2008. Dollar amounts are drawn from a variety of sources, including the Office of Management and Budget (OMB), U.S. Agency for International Development (USAID), and from annual Department of State (DOS), Foreign Operations and other appropriations acts. As new data become obtainable or additional issues and questions arise, the report will be modified and revised. Foreign aid acronyms used in this report are listed in Appendix B.

### A Note on Numbers and Sources

The numeric measures of foreign assistance used in this report come from a variety of sources. Different sources are necessary for comprehensive analysis, but can often lead to discrepancies from table to table or chart to chart.

One reason for such variation is the different definitions of foreign assistance used by different sources. The Budget of the United States historical tables data on foreign assistance, for example, includes only those programs that fall under the traditional 151 and 152 budget subfunction accounts. This excludes various programs run by federal agencies outside of the traditional DOS and USAID framework. USAID's U.S. Overseas Loans & Grants database (Greenbook), in contrast, uses a broad and evolving definition of foreign aid which in past years has included mandatory retirement accounts, Department of Defense (DOD) and Department of Energy nonproliferation assistance, and other U.S. agency accounts that many would not classify as foreign assistance. Official Development Assistance (ODA), reported by the Organization for Economic Cooperation and Development (OECD), differs from both U.S. Budget and Greenbook numbers because it excludes all military assistance.

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<sup>1</sup> Other tools of U.S. foreign policy are the U.S. defense establishment, the diplomatic corps, public diplomacy, and trade policy. American defense capabilities, even if not employed, stand as a potential stick that can be wielded to obtain specific objectives. The State Department diplomatic corps are the eyes, ears, and often the negotiating voice of U.S. foreign policymakers. Public diplomacy programs, such as exchanges like the Fulbright program and Radio Free Europe, project an image of the United States that may influence foreign views positively. U.S. trade policy—through free trade agreements and Export-Import Bank credits, for example—may directly affect the economies of other nations. Foreign aid is probably the most flexible tool—it can act as both carrot and stick, and is a means of influencing events, solving specific problems, and projecting U.S. values.

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Apparent discrepancies also arise due to funding being recorded at different points in the process. U.S. Budget historic tables represent budget authority, funds appropriated by fiscal year, whereas the Greenbook reports funds obligated by fiscal year. The disparity this creates is apparent when comparing recent aid levels in Figures 7 and 9. Figure 9 shows a sharp spike in appropriations in FY 2004 for Iraq Reconstruction, but that appropriation was obligated over multiple years, resulting in the much less dramatic rise in FY 2004 and FY 2005 obligations depicted in Figure 7. The reporting calendar may result in discrepancies as well, ODA figures, unlike budget and Greenbook numbers, are reported by calendar year rather than fiscal year.

The differences between sources make precise comparisons difficult. For this reason, CRS has attempted not to mix sources within figures and tables, with the exception of Table A-3 (on which Figure 7 is based), which was necessary because no single source exists for data from 1946 through to 2008. Though imperfect, this compilation of data is useful for depicting long-term trends in U.S. foreign assistance levels.

### **Foreign Aid Purposes and Priorities**

#### **What Are the Rationales and Objectives of U.S. Foreign Assistance?**

Foreign assistance is predicated on several rationales and supports a great many objectives. Both rationales and objectives have changed over time.

#### **Rationales for Foreign Aid**

Since the start of modern U.S. foreign aid programs, the rationale for such assistance has been posited in terms of national security. From a beginning in rebuilding Europe after World War II under the Marshall Plan (1948-1951), U.S. aid programs reflected anti-communist Cold War tensions that continued through the 1980s. U.S. development assistance programs to newly independent states were viewed by policy makers as a way to prevent the incursion of Soviet influence in Latin America, Southeast Asia, and Africa. Military and economic assistance programs were provided to allies offering U.S. base rights or other support in the anti-Soviet struggle.

In the immediate aftermath of the dissolution of the Soviet Union in 1991, aid programs lost their Cold War underpinnings. Foreign aid programs reflected less of a strategic focus on a global scale and instead responded to regional issues, such as Middle East peace initiatives, the transition to democracy of eastern Europe and republics of the former Soviet Union, and international illicit drug production and trafficking in the Andes. Without an over arching theme, foreign aid budgets decreased in the 1990s. However, since the September 11, 2001, terrorist attacks in the U.S., policy makers frequently have cast foreign assistance as a tool in the global war on terrorism. This has comprised an emphasis on aid to partner states in the terrorism war, including the substantial reconstruction programs in Afghanistan and Iraq. As noted, global development is now accepted, along with defense and diplomacy, as a key element of U.S. national security.<sup>2</sup>

Even during periods when aid programs were framed in the context of anti-communism, and more recently in the context of anti-terrorism, foreign aid programs were justified for other reasons as well, primarily commercial and humanitarian. Foreign assistance has long been defended as a way to either promote U.S. exports by creating new customers for U.S. products or by improving the

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2 Development was again underscored in the Bush Administration's re-statement of the National Security Strategy released on March 16, 2006. Executive Office of the President, *U.S. National Security Strategy 2002 and 2006*, available at <http://www.whitehouse.gov/nsc/nss/2006>.



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global economic environment in which U.S. companies compete. At the same time, a strong current has existed that explained U.S. assistance as a moral imperative to help poverty-stricken countries and those trying to overcome disasters or conflict. Providing assistance for humanitarian reasons or in response to natural disasters has generally been the least contested purpose of aid by the American public and policy makers alike.

### **Objectives of Foreign Aid**

The objectives of aid are thought to fit within these rationales. Aid objectives include promoting economic growth and reducing poverty, improving governance, addressing population growth, expanding access to basic education and health care, protecting the environment, promoting stability in conflictive regions, protecting human rights, curbing weapons proliferation, strengthening allies, and addressing drug production and trafficking. The expectation has been that, by meeting these objectives, the U.S. will achieve its national security goals as well as ensure a global economic environment for American products and demonstrate the humanitarian nature of the U.S. people. Some observers have returned to the view that poverty and lack of opportunity are the underlying causes of political instability and the rise of terrorist organizations, much as poverty was viewed as creating a breeding ground for communist insurgencies in the 1960s, 1970s, and 1980s.

Generally speaking, different types of foreign aid support different objectives. Focusing on any single element of the aid program would produce a different sense of the priority of any particular U.S. objective. But there is also considerable overlap among categories of aid. Multilateral aid serves many of the same objectives as bilateral development assistance, although through different channels. Both military assistance and economic security assistance serve U.S. objectives in the Middle East and South Asia. Drug interdiction activities, backed in some cases with military assistance and alternative development programs, are integrated elements of American counter-narcotics efforts in Latin America and elsewhere.

Depending on how they are designed, individual assistance projects on the ground can also serve multiple purposes. A health project ostensibly directed at alleviating the effects of HIV/AIDS by feeding orphan children may also mobilize local communities and stimulate grassroots democracy and civil society while additionally meeting U.S. humanitarian objectives. Micro credit programs may help develop local economies while at the same time providing food and education to the children of entrepreneurs.

In an effort to rationalize the assistance program more clearly, the Director of Foreign Assistance (DFA) at the DOS developed a framework (Table 1) in 2006 that organizes U.S. foreign aid or at least that portion of it that is managed by the DOS and/or USAID around five strategic objectives, each of which includes a number of program elements, also known as sectors.<sup>3</sup> The five objectives are:

- Peace and security
- Investing in people
- Governing justly and democratically
- Economic growth

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<sup>3</sup> The framework, representing about 90 percent of the traditional foreign aid budget in FY 2008 (including supplementals), does not include the Millennium Challenge Corporation, Peace Corps, other independent agencies, and international financial institutions. It also excludes non-traditional foreign aid programs, such as DOD-funded activities. While the framework includes the State Department's HIV/AIDS program, it is not under the direct management responsibility of the DFA.

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- Humanitarian assistance

Generally, these objectives and sectors do not correspond to any one particular budget account in appropriations bills.<sup>4</sup>

<b>Table 1. Bilateral State/USAID Assistance by Objective: FY 2006-FY 2008</b> <b>(in millions of current dollars)</b>			
<b>Aid Objectives and Program Areas</b>	<b>Fiscal Year 2006</b>	<b>Fiscal Year 2007</b>	<b>Fiscal Year 2008</b>
Peace and Security	\$6,817.1	\$8,684.6	\$7,480.3
Counter-Terrorism	\$157.0	\$242.1	\$178.5
Combating WMD	\$229.9	\$228.0	\$247.8
Stabilization/Security Sector Reform	\$5,178.0	\$6,668.6	\$5,579.5
Counter-narcotics	\$1,007.1	\$1,148.1	\$1,125.1
Transnational Crime	\$60.2	\$51.2	\$73.2
Conflict Mitigation	\$184.8	\$346.6	\$276.4
Investing in People	\$4,957.4	\$6,659.4	\$8,522.7
Health	\$2,595.2	\$5,705.1	\$7,277.2
Education	\$689.8	\$754.5	\$928.4
Social Services/Protection of Vulnerable	\$136.9	\$199.7	\$317.0
Governing Justly & Democratically	\$1,233.2	\$2,141.3	\$2,260.4
Rule of Law & Human Rights	\$301.1	\$532.0	\$606.1
Good Governance	\$354.2	\$763.2	\$818.9
Political Competition	\$197.3	\$305.4	\$288.7
Civil Society	\$380.6	\$540.8	\$546.8
Economic Growth	\$2,826.2	\$3,212.2	\$2,920.6
Macroeconomic Growth	\$409.1	\$591.5	\$330.5
Trade & Investment	\$408.7	\$331.6	\$210.9
Financial Sector	\$277.2	\$176.8	\$190.8
Infrastructure	\$414.9	\$723.9	\$850.4
Agriculture	\$562.0	\$538.1	\$487.7
Private Sector Competitiveness	\$350.5	\$385.4	\$358.3
Economic Opportunity	\$111.6	\$127.0	\$167.9
Environment	\$292.1	\$337.8	\$324.0
Humanitarian Assistance	\$1,808.4	\$3,097.4	\$3,157.8
Protection, Assistance & Solutions	\$1,664.1	\$2,963.7	\$3,025.5
Disaster Readiness	\$74.8	\$78.2	\$74.5
Migration Management	\$69.6	\$55.5	\$57.7
<b>Source:</b> USAID and Department of State budget documents. <b>Notes:</b> Figures include Iraq funding and supplementals, with exception of FY 2008 3rd supplemental appropriation (P.L. 110-329) of \$465 million in ESF.			

4 Most are funded through several accounts. For instance, the objective of Governing Justly and Democratically and each of its individual sectoral elements (see Table 1) are funded through portions of the Development Assistance, SEED, FSA, ESF, and INCLE accounts.

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## **Peace and Security**

The Peace and Security objective is composed of six program areas:

- Counter-terrorism
- Combating weapons of mass destruction
- Stabilization operations and security sector reform
- Counter-narcotics
- Transnational crime
- Conflict mitigation and reconciliation

With an elevated level of engagement in the aftermath of September 11, 2001, these types of programs have been emphasized by the Bush Administration as essential to the war on terrorism, and to promote stability in failing states that may become permissive environments for terrorism. For FY 2008, the Peace and Security objective was funded at \$7.5 billion. Major portions of these funds were allocated to Israel, Egypt, Afghanistan, Iraq, Pakistan, and Jordan. Were the DFA framework to include all foreign aid, regardless of source, the DOD training and equipping of Iraqi and Afghan security forces would add \$5.8 billion in FY 2008 under this objective.

## **Investing in People**

The Investing in People objective is composed of three program areas:

- Health
- Education
- Social services and protection for vulnerable people

For FY 2008, the objective was funded at \$8.5 billion. Most of the funding falls in the health program area, particularly the President's Global AIDS Initiative.

Health programs also include funds for combating avian influenza, tuberculosis, and malaria. A significant portion of health funds are provided for maternal and child health, and family planning and reproductive health programs. The objective also includes education programs with the majority of funds focusing on basic education needs, especially in Africa, but increasingly in south and central Asia and the Middle East.

## **Governing Justly and Democratically**

This objective includes a number of program areas related to promoting the rule of law and human rights, good governance, political competition, and civil society. The two largest components for FY 2008 were the rule of law and good governance. Some aid experts believe that development is more effective when the recipient government is democratic in nature and respectful of citizens' rights. Program goals include strengthening the performance and accountability of government institutions, such as the judiciary and police, and combating corruption. Funding levels have grown somewhat in recent years; the objective totaled \$2.3 billion in FY 2008.

## **Economic Growth**

The Economic Growth objective, amounting to \$2.9 billion in FY 2008, includes a wide range of program areas that are believed to contribute to economic growth in developing economies, including

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agriculture, the environment, infrastructure, and trade. Agriculture programs focus on science and technology advances that reduce poverty and hunger, trade-promotion opportunities for farmers, and sound environmental management practices for sustainable agriculture. Private sector development programs include support for business associations and micro finance services. Programs for managing natural resources and protecting the global environment focus on conserving biological diversity, improving the management of land, water, and forests, promoting environmentally-sound urban development, encouraging clean and efficient energy production and use, and reducing the threat of global climate change while strengthening sustainable economic growth. Were the DFA framework to encompass all foreign aid, regardless of funding source, the economic growth objective would likely include most of the Millennium Challenge Account, adding perhaps another \$1.5 billion in FY 08, and much of the Commander's Emergency Response Program (CERP), the latter funded by DOD at \$1.8 billion in FY 08.

### **Humanitarian Assistance**

Humanitarian assistance responds to both natural and man-made disasters as well as problems resulting from conflict associated with failed or failing states. Responses include protection and assistance to refugees and internally displaced persons and provision of emergency food aid. Programs generally address unanticipated situations and are not integrated into long-term development strategies. In FY 2008, humanitarian programs were funded at \$3.2 billion.

### **What Are the Different Types of Foreign Aid?**

The framework introduced by the DFA organizes assistance by foreign policy objective. But there are many other ways to categorize foreign aid. More commonly, Congress and others group traditional foreign aid by five major types of assistance, as illustrated in Figure 1. Each category of assistance is funded by discrete aid accounts in the U.S. budget. There are many such accounts, supporting different aid agencies, offices, and programs. This methodology encompasses all traditional aid, a larger universe than that in the DFA framework.<sup>5</sup> noted, the DOD and some other government agencies undertake assistance programs with funding outside traditional foreign aid budget accounts. These non-traditional programs are not captured in this discussion.

### **Iraq and Afghanistan Reconstruction Funding**

In recent years, reconstruction assistance to Iraq and Afghanistan has accounted for billions of dollars and has, perhaps, disproportionately shaped the portrait of the U.S. foreign aid program. Aid efforts in both countries have been mostly directed at improving the security capabilities of police and armed forces, at building and rehabilitating infrastructure, promoting governance, and stimulating economic growth.

Reaching a total of \$49 billion in appropriations from all sources in FY 2003 to FY 2009, the U.S. assistance program to Iraq is the largest aid initiative since the 1948-1951 Marshall Plan. Nearly \$21 billion of the total was funneled through an Iraq Relief and Reconstruction Fund in just two fiscal years, FY 2003 and FY 2004. About \$22 billion has been provided under the DOD budget, not traditionally included in foreign aid totals, and, therefore, unless otherwise noted, not captured

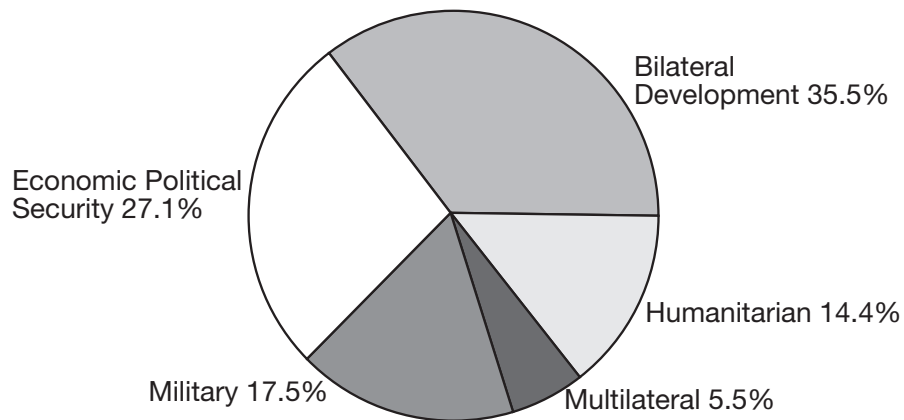
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<sup>5</sup> In the U.S. federal budget, all commonly accepted, traditional foreign aid accounts are subsumed under the 150, international affairs, budget function. The Office of Management and Budget (OMB) has designated development and humanitarian assistance as subfunction 151 and security assistance as subfunction 152. Currently, all traditional foreign aid accounts fall under one of these two subfunctions.

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in the context of this report. The Afghanistan program to date accounts for about \$11 billion in traditional foreign aid and another \$15 billion in DOD-funded aid.



**Source:** U.S. Department of State, Summary and Highlights, International Affairs, Function 150, FY2009, House and Senate Appropriations Committees, and CRS calculations.

**Figure 1**  
**Aid Program Composition, Fiscal Year 2008**

While traditional foreign aid amounts noted in this report include figures for Iraq and Afghanistan reconstruction, it is important to keep in mind that these aid efforts, running currently at \$2-\$3 billion a year, might overshadow and obscure key trends in changing aid budget and policy priorities for the period FYs 2002 through 2009. Therefore, at various points throughout the text, a notation may be made stating what a particular amount would equal if Iraq and/or Afghanistan assistance was excluded.

### **Bilateral Development Assistance**

Development assistance programs are designed chiefly to foster sustainable broad-based economic progress and social stability in developing countries. For FY 2008, Congress appropriated \$10.3 billion in such assistance, an amount accounting for nearly 37 percent of total foreign aid appropriations. A significant proportion of these funds, largely encompassed by the Development Assistance and the Child Survival and Health accounts, is managed by USAID and is used for long-term projects in the areas of economic reform and private sector development, democracy promotion, environmental protection, population control, and improvement of human health. Development activities that have gained more prominence in recent years include basic education, water and sanitation, and support for treatment of HIV/AIDS and other infectious diseases. Other bilateral development assistance goes to distinct institutions, such as the Peace Corps, Inter-American Development Foundation, African Development Foundation, Trade and Development Agency, and Millennium Challenge Corporation.

### **Economic Aid Supporting U.S. Political and Security Objectives**

For FY 2008, Congress appropriated \$7.8 billion, 27 percent of total assistance, for five major programs whose primary purpose is to meet special U.S. economic, political, or security interests. The bulk of these funds, \$5.3 billion, was provided through the Economic Support Fund (ESF), designed to advance American strategic goals with economic assistance. ESF funds can be used for

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development projects, or in other ways, such as cash transfers, to help a recipient country stabilize its economy and service foreign debt. For many years, following the 1979 Camp David accords, most ESF funds went to support the Middle East Peace Process. Since September 11, 2001, ESF has largely supported countries of importance in the war on terrorism. In FY 2008, for example, about \$1.8 billion in ESF was directed at Iraq and Afghanistan alone.

With the demise of the Soviet empire, the U.S. established two new aid programs to meet particular strategic political interests. The *Support for East European Democracy Act of 1989* (SEED) and the *Freedom for Russia and Emerging Eurasian Democracies and Open Markets Support Act of 1992* (FREEDOM Support Act) programs were designed to help Central Europe and the newly independent states of the former Soviet Union (FSA) achieve democratic systems and free market economies. In FY 2008, SEED countries were allocated about \$294 million while the FSA countries received \$397 million in appropriated funds (not counting an emergency appropriation at the end of the fiscal year of \$365 million specifically for Georgia). Both accounts have seen decreases as countries graduate from U.S. assistance, from a ten-year high of \$676 million in 2001 for SEED and \$958 million in 2002 for FSA countries.

Especially since 2001, policy makers have given greater weight to several global concerns that are considered threats to U.S. security and well-being—terrorism, illicit narcotics, crime, and weapons proliferation. They have addressed each concern with aid programs that provide a range of law enforcement activities, training, and equipment. In FY 2008, the anti-narcotics and crime program accounted for about \$1.3 billion in foreign aid appropriations—about a quarter of which was for an Andean anti-narcotics initiative. Anti-terrorism programs added another \$150 million, and weapons proliferation-related activities, including humanitarian demining, were funded at \$347 million.

### **Humanitarian Assistance**

For FY 2008, Congress appropriated \$4.2 billion, 14.4 percent of assistance, for humanitarian aid programs.<sup>6</sup> Unlike development assistance programs, which are often viewed as long-term efforts that may have the effect of preventing future crises from developing, humanitarian aid programs are devoted largely to the immediate alleviation of humanitarian emergencies. A large proportion of humanitarian assistance goes to programs aimed at refugees and internally displaced persons administered by the DOS and funded under the Migration and Refugee Assistance (MRA) and the Emergency Refugee and Migration Assistance (ERMA) accounts. These accounts support, with about \$1.4 billion in FY 2008, a number of refugee relief organizations, including the U.N. High Commission for Refugees and the International Committee of the Red Cross. The International Disaster Assistance (IDA) and Transition Initiatives (TI) accounts managed by USAID provide relief, rehabilitation, and reconstruction assistance to victims of man-made and natural disasters, activities totaling \$694 million in FY 2008.<sup>7</sup>

Food assistance supplements both programs (about \$2.1 billion in FY 2008). The food aid program, generically referred to as Public Law (P.L.) 480 (after the law that authorizes it) or the Food for Peace program, provides U.S. agricultural commodities to developing countries. USAID administered Title II (of the public law) grant food aid is mostly provided for humanitarian relief, but may also be used for development-oriented purposes by private voluntary organizations (PVOs)

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6 Because of the unanticipated nature of many disasters, humanitarian aid budget allocations often increase throughout the year as demands arise. Figures listed here include supplemental funds provided at various stages throughout the year as of the end of FY 2008.

7 The IDA account was previously known as the International Disaster and Famine Assistance account (IDFA).

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or through multilateral organizations, such as the World Food Program. Title II funds are also used to support the “farmer-to-farmer” program which sends hundreds of U.S. volunteers as technical advisors to train farm and food-related groups throughout the world. A new program begun in 2002, the McGovern-Dole International Food for Education and Child Nutrition Program, provides commodities, technical assistance, and financing for school feeding and child nutrition programs (\$100 million in FY 2008).<sup>8</sup>

### **Multilateral Assistance**

A relatively small share of U.S. foreign assistance, 5.5 percent in FY 2008 is combined with contributions from other donor nations to finance multilateral development projects. For FY 2008, Congress appropriated \$1.6 billion for such activities implemented by international organizations, like the United Nations Children’s Fund (UNICEF) and the United Nations Development Program (UNDP), and by multilateral development banks (MDBs), such as the World Bank. On average, U.S. contributions represent about 23 percent of total donor transfers to the MDBs.

### **Military Assistance**

The U.S. provides military assistance to U.S. friends and allies to help them acquire U.S. military equipment and training. Congress appropriated \$5.1 billion for military assistance in FY 2008, 17.5 percent of total U.S. foreign aid. There are three main programs, administered by the DOS, but implemented by DOD. Foreign military financing (FMF), \$4.7 billion in FY 2008, is a grant program that enables governments to receive equipment from the USG or to access equipment directly through U.S. commercial channels. Most FMF grants support the security needs of Israel and Egypt. The International Military Education and Training program (IMET), \$85 million, offers military training on a grant basis to foreign military officers and personnel. Peacekeeping funds, \$261 million in FY 2008, are used to support voluntary non-U.N. operations as well as training for an African crisis response force. As noted earlier, since 2002, DOD appropriations, not included in counts of traditional foreign aid, have supported FMF and IMET-like programs in Afghanistan and Iraq at a level of nearly \$6 billion in FY 2008.

### **What Are the Funding Priorities and Trends in United States Foreign Assistance?**

Tracking changes in the amount of funds distributed to each objective, sector, type of assistance, or funding account is one means of measuring the relative priority placed by the executive branch on any of the aid activities represented by that category of assistance. Because Congress closely examines the executive’s distribution of bilateral economic resources and in a number of cases modifies the President’s proposed budget plan, funding trends also characterize congressional aid priorities and areas of special concern.<sup>9</sup>

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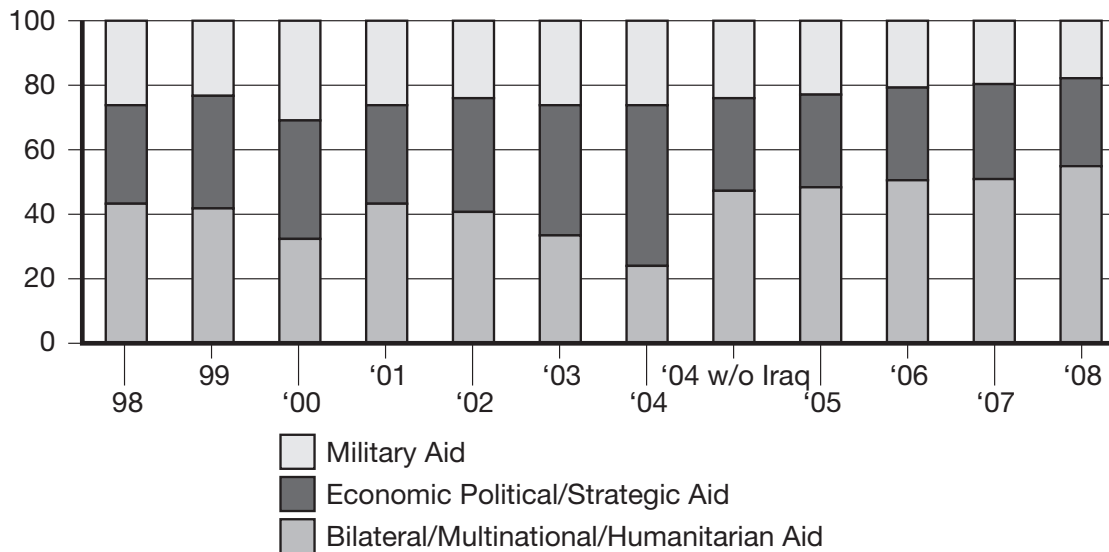
8 Until FY 1998, food provided commercially under long-term, low interest loan terms (Title I of P.L. 480) was also included in the foreign assistance account. Because of its increasing export focus, it is no longer considered foreign aid.

9 It is important to note that the amount of resources allocated to any single development sector relative to other sectors in any given year is not necessarily a good measure of the priority assigned to that sector. Different types of development activities require varying amounts of funding to have impact and achieve the desired goals. Democracy and governance programs, for example, are generally low-cost interventions that include extensive training sessions for government officials, the media, and other elements of civil society. Economic growth programs, on the other hand, might include infrastructure development, government budget support, or commodity import financing, activities that require significantly higher resources. What may be a better indicator of changing priorities is to compare funding allocations over time to the same objective or sector.



## Trends in Types of United States Aid

As shown in Figure 2 (and Table A-2), there have been shifts in the use of different types of U.S. assistance in response to world events and changing priorities. Funding a Middle East peace supplemental, the Andean Counter-narcotics Initiative and economic support for countries assisting U.S. efforts in the war on terrorism pushed strategic-oriented economic aid from a 26 percent share in FY 1995 to an average 33 percent share from FY 1997 through FY 2002. The injection of significant assistance to Iraq raised political-strategic assistance to 50 percent in FY 2004.<sup>10</sup> Excluding the anomaly of Iraq, however, would lower the proportion of political-strategic aid to 29 percent in FY 2004. Even with Iraq funding included in the following years, this grouping of aid drops to about 29 percent in the period FY 2005 through FY 2007, reflecting somewhat the impact of a continuing ten-year plan to reduce economic aid to Israel and Egypt, and, except in the case of Afghanistan, less robust aid for partner states in the war on terrorism. The growth of development-related aid in this period also diminished the relative proportion of other forms of assistance. The proportion of total aid represented by political-strategic assistance in FY 2008 was 27 percent.



**Source:** U.S. Department of State and CRS Calculations.

**Notes:** To illustrate the impact of Iraq funding on the aid program, the column "FY04" without Iraq" excludes \$18.4 billion in Iraq Relief and Reconstruction Fund (IRRF) aid.

**Figure 2. Shifts in Program Emphasis (FYs 1998-2008)  
(as % of total U.S. foreign assistance)**

For more than two decades, military assistance as a share of total aid obligations has declined, a trend that began after military aid peaked at 42 percent in FY 1984. Despite increases in other forms of assistance in the period from 1998 through FY 2004, military aid hovered in the 25 percent range as the U.S. provided additional security support to many of the partner states in the war on terrorism and other countries that might face new external threats due to the pending conflict in Iraq. From FY 2005, however, its share continued to fall, largely due to the rise in prominence of the development

<sup>10</sup> Of the \$18.4 billion provided in FY04 for Iraq from the IRRF, \$5 billion was utilized in the same way as military assistance and delegated to DOD for implementation. The remainder was used in ways similar to ESF and, therefore, is considered political-strategic assistance for purposes of this analysis.

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assistance category. In FY 2008, military assistance represented less than 18 percent of total aid. However, as discussed in a later section, foreign assistance provided by the DOD, and not counted in estimates of traditional foreign aid, has been increasing with operations in Iraq and Afghanistan, with new authority to train and equip foreign militaries, and with anti-narcotics activities in Latin America and Afghanistan.

Perhaps the most striking trend in this period has been the growth in development-related assistance, including humanitarian aid, food aid, and contributions to multilateral institutions. Development-related aid rose steadily from a 38 percent share in FY 1990 to nearly 48 percent by FY 1995. The growth of more politically driven economic programs in central Europe and the former Soviet Union, plus sizable cuts to development aid in FYs 1996 and 1997 and increased emphasis on security assistance following the September 11, 2001 terrorist attacks, drove the share down to an average of 41 percent during the late 1990s through FY 2002. If Iraq funding were excluded in FY 2004, the proportion of development aid would jump to 47 percent, rather than the deep decline to 25 percent if Iraq is included. With the approval of significant amounts of funding for two new presidential aid priorities, the Millennium Challenge Corporation and the HIV/AIDS Initiative, development assistance grew to represent over half of total U.S. foreign aid by FY 2005, the highest proportion in more than twenty years. This share has since continued to increase, reaching 55 percent in FY 2008.

### **Trends in Programs and Sectors of Special Interest**

There are multiple ways to define and categorize U.S. foreign assistance programs. At various times, congressional and public attention centers on one or another slice of the aid effort. For instance, the large community of non-governmental organizations (NGOs) working on international sustainable development activities most often concerns itself with what it calls “core development accounts,” usually defined as including the USAID Child Survival and Health, USAID Development Assistance, Millennium Challenge, and HIV/AIDS accounts. Collectively, these have grown exponentially over the ten year period from 1998 to 2008, from \$1.9 billion to \$9.6 billion, largely due to the launching of the HIV/AIDS and MCA programs.

One of the most striking changes in the distribution of economic aid resources in recent years has been the sharp growth in funding for health programs, especially in the area of HIV/AIDS and other infectious diseases (see Table 1). In 2004, the Bush Administration launched a five-year *Global AIDS Initiative*, the *President’s Emergency Plan for AIDS Relief* (PEPFAR), with the goal of treating two million HIV-infected individuals, and caring for ten million infected people and AIDS orphans that eventually provided over \$18 billion. The program was re-authorized in 2008 (P.L. 110-293) at \$48 billion for FY 2009 through FY 2013 to support prevention and treatment of HIV/AIDS, malaria, and tuberculosis. Spending on non-AIDS infectious diseases has increased by 400 percent since FY 2001. Funding has also risen notably for Child Survival and Maternal Health projects that aim to reduce infant mortality, combat malnutrition, improve the quality of child delivery facilities, and raise nutritional levels of mothers. Funding for these activities has grown by 45 percent in the past seven years.

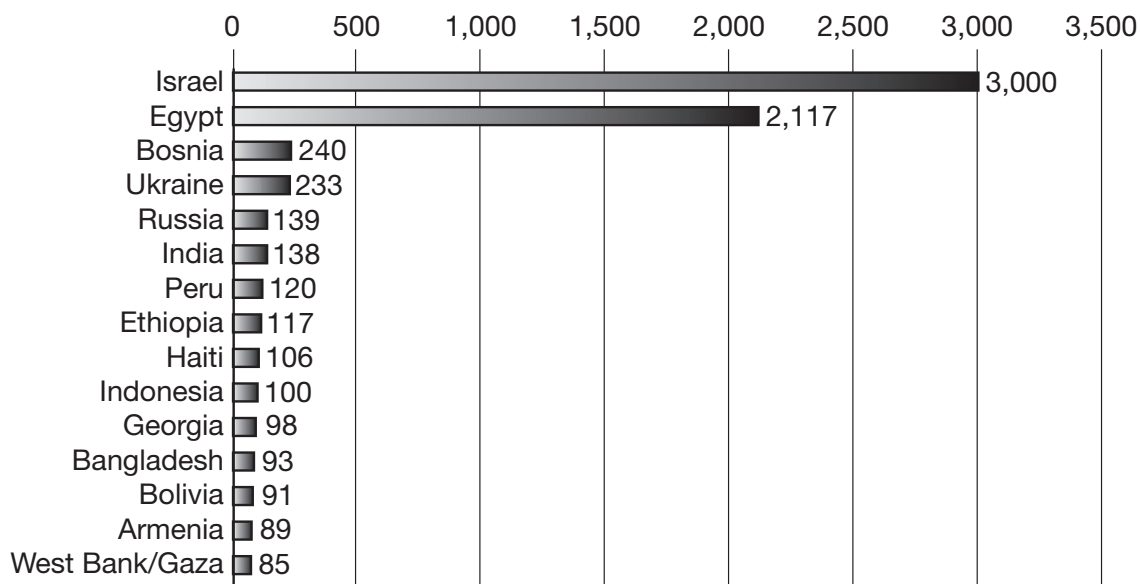
Public support, congressional, and Administration action often raise the priority given to specific sectors or programs. In recent years, high profile programs include support for micro enterprise, basic education, clean water and sanitation. For each of these specific interests, funding has been boosted by Congress in the form of legislative directives or earmarks in the annual foreign aid appropriations legislation. Funding for micro enterprise, for instance, went from \$58 million in FY 1988 to \$111

million in FY 1996 and \$216 million in FY 2006. Congress mandated a level of \$245 million for micro enterprise assistance in FY 2008. Basic education programs were funded at about \$95 million in FY 1997; they were set at \$700 million in FY 2008. Funding for water and sanitation projects was not closely tracked ten years ago; the directed level for FY 2008 was \$300 million.

Some sectors once strongly favored by Congress and the executive branch have lost out in the funding competition in recent decades. Agriculture programs have seen significant decreases since the 1970s and 1980s when they represented the bulk of U.S. development assistance. In FY 1984, for instance, agriculture and rural development received an appropriation of \$725 million from the development assistance account, compared to \$315 million in FY 1998 and \$413 million in FY 2008 from all USAID/DOS accounts. Programs managing natural resources and protecting the global environment fell from \$504 million in FY 2002 to \$324 million in FY 2008. The rapid rise in HIV/AIDS funding overshadows to some extent reductions for other health sectors. Spending on family planning and reproductive health programs has been flat during the past fifteen years, with the FY 2008 level of \$457 million only slightly higher than the fifteen-year average of \$444 million.

### Which Countries Receive U.S. Foreign Aid?

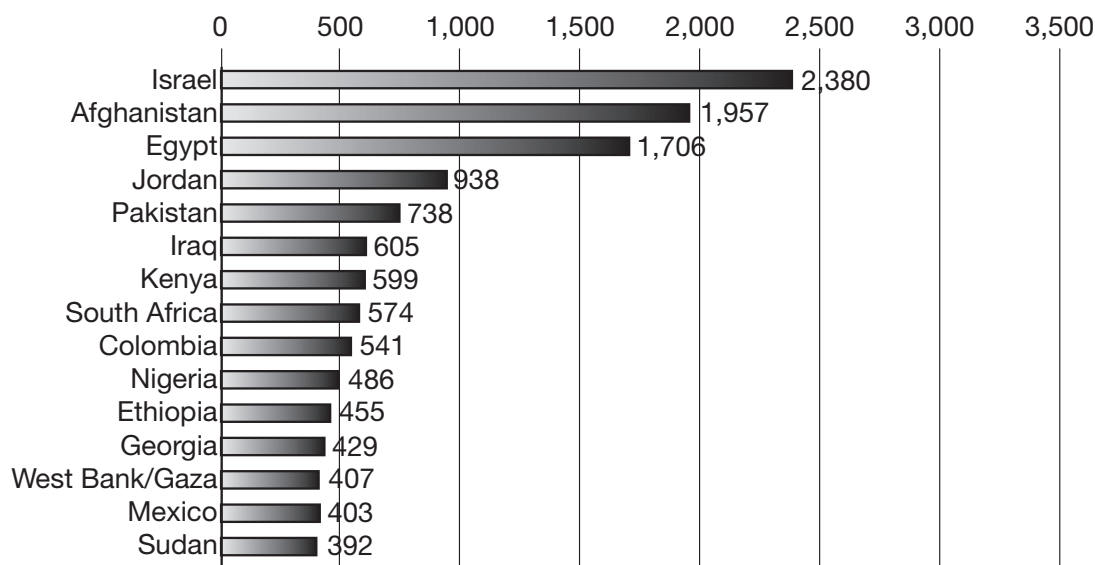
In FY 2008, the U.S. is providing some form of foreign assistance to about 154 countries. Figure 3 and Figure 4 identify the top fifteen recipients of U.S. foreign assistance for FY 1998 and FY 2008, respectively.<sup>11</sup> Assistance, although provided to many nations, is concentrated heavily in certain countries, reflecting the priorities and interests of United States foreign policy at the time.



Source: USAID and State Department

**Figure 3. Top Foreign Aid Recipients, FY 1998  
(Appropriations in Millions, U.S. Dollars)**

<sup>11</sup> FY 2008 is the latest year for which reliable data is available, and includes supplemental funds that largely went for activities in Iraq, Afghanistan, and Georgia. Figures do not include Millennium Challenge Corporation Compacts as MCC appropriations are not broken out by recipient country until they are obligated, a one-time event for each country and on a scale that would distort the aid picture in any given year.



Source: USAID and State Department

**Figure 4. Top Foreign Aid Recipients, FY 2008  
(Appropriations in Millions, U.S. Dollars)**

As shown in the figures below, there are both similarities and sharp differences among country aid recipients for the two periods. The most consistent thread connecting the top aid recipients over the past decade has been continuing U.S. support for peace in the Middle East, with large programs maintained for Israel and Egypt and a relatively smaller program for West Bank/Gaza. The commitment to Latin America counter-narcotics efforts is also evident in both periods, with Peru and Bolivia appearing in FY 1998 and Colombia and Mexico among the top U.S. aid recipients a decade later. Assisting countries emerging from conflict, usually under more temporary circumstances, is another constant aspect of U.S. foreign aid. Haiti and Bosnia, leading recipients in FY 1998, have been replaced currently by Sudan, Afghanistan, and Iraq.

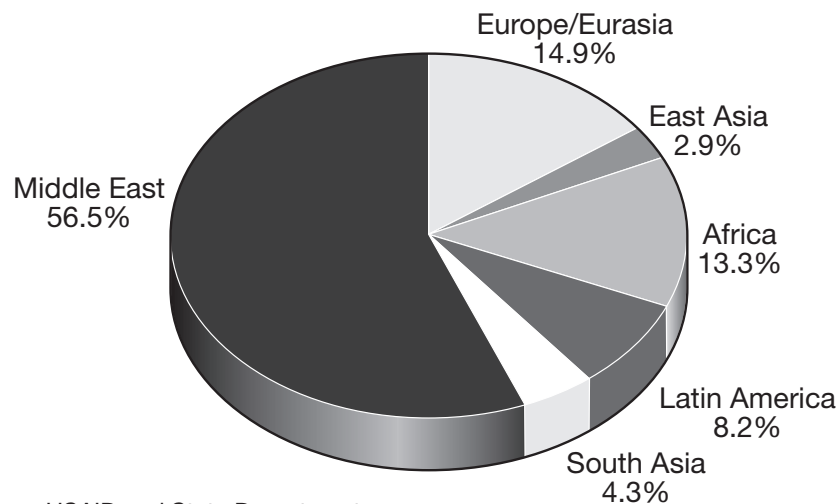
But there are also significant contrasts in the leading aid recipients since FY 1998. The impact of the terrorist attacks on September 11, 2001, and the subsequent use of foreign aid to support other nations threatened by terrorism or helping the U.S. combat the global threat is clearly seen in the country aid allocations for FY 2008. Afghanistan, Pakistan, and Jordan, none of which was a top recipient in FY 1998, are key partners in the war on terrorism.

Another relatively new feature of American assistance, the emphasis on HIV/AIDS programs, is evident in FY 2008 aid figures with Ethiopia, Kenya, Nigeria, and South Africa among the top recipients, largely due to their selection as focus countries for the Bush Administration's HIV/AIDS Initiative. A further shift concerns the former Soviet states in which the U.S. invested large sums to assist in their transitions to democratic societies and market-oriented economies. In FY 1998, Ukraine, Armenia, Georgia, and Russia were among the top fifteen U.S. aid recipients. By FY 2008, only Georgia remains because of a U.S. reconstruction initiative following Georgia's recent conflict with Russia.

Finally, a striking feature of the more recent aid recipients is the robust level of assistance provided to those below the top-ranked two or three countries. Ten years previously, the gap between the

second and third recipients, Egypt and Bosnia, was nearly \$2 billion. In FY 2008, the gap between the second and fourth recipients, Afghanistan and Jordan, was less than \$1 billion, and, on average, the bottom dozen recipients received more than four times what their counterparts received in FY 1998.

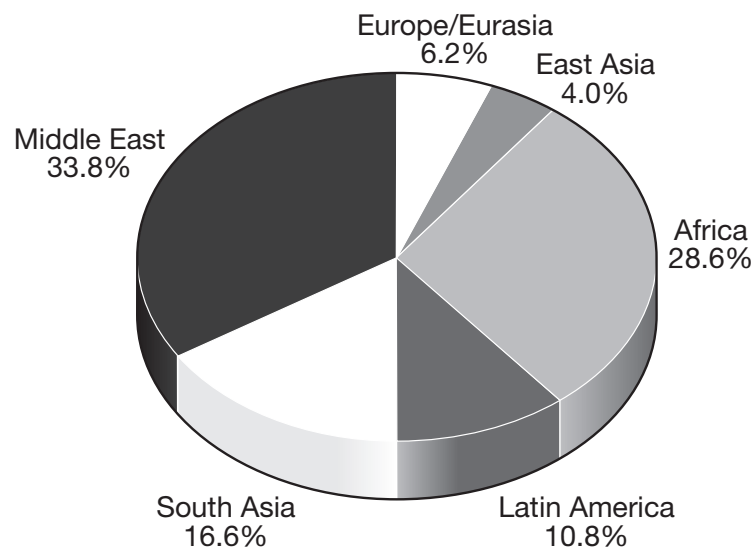
On a regional basis (Figure 5 and Figure 6), the Middle East has for many years received the bulk of U.S. foreign assistance. With economic aid to the region's top two recipients, Israel and Egypt, declining since the late 1990s and overall increases in other areas, however, the share of bilateral U.S. assistance consumed by the Middle East fell from nearly 57 percent in FY 1998 to nearly 34 percent by FY 2008.



**Source:** USAID and State Department.

**Notes:** Based on appropriated levels. Figures include supplemental appropriations and Iraq.

**Figure 5. Regional Distribution of Aid, FY 1998**



**Source:** USAID and State Department.

**Notes:** Based on appropriated levels. Figures include supplemental appropriations and Iraq.

**Figure 6. Regional Distribution of Aid, FY 2008**

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Since September 11, 2001, South Asia has emerged as a significant recipient of U.S. assistance, rising from a 4 percent share ten years ago to about 17 percent in FY 2008, largely because of aid to Afghanistan and Pakistan. Similarly, the share represented by African nations has increased from a little more than 13 percent to nearly 29 percent in 2008, largely due to the HIV/AIDS Initiative, that funnels resources mostly to African countries. Latin America, despite a renewed effort to deter illicit narcotics production and trafficking with large aid programs, is a region where the proportion of total U.S. assistance has remained level. With the graduation of several East European aid recipients in recent years and the phasing down of programs in Russia, Ukraine, and other former Soviet states, the Europe/Eurasia regional share has fallen significantly. The proportion of assistance provided to East Asia grew in the past decade, but the region remains the smallest area of concentration, accounting for 4% of U.S. foreign aid in FY 2008.

### **Foreign Aid Spending**

#### **How Large Is the U.S. Foreign Assistance Budget and What Have Been the Historical Funding Trends?**

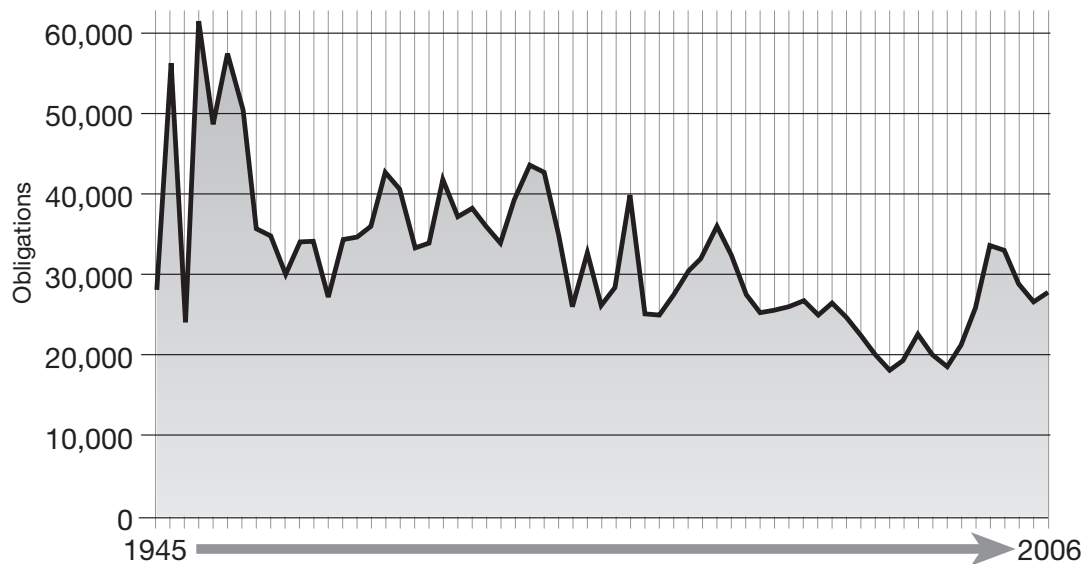
There are several methods commonly used for measuring the amount of federal spending on foreign assistance. Amounts can be expressed in terms of budget authority (funds appropriated by Congress), outlays (money actually spent), as a percent of the total federal budget, as a percent of total discretionary budget authority (funds that Congress directly controls, excluding mandatory and entitlement programs), or as a percentage of the gross domestic product (GDP) (for an indication of the national wealth allocated to foreign aid).

By nearly all of these measures, some of which are illustrated in Figure 7 and Figure 8, foreign aid resources fell steadily over several decades since the historical high levels of the late 1940s and early 1950s. This downward trend was sporadically interrupted, with spikes in the 1960s and early 1970s, 1979, and the mid-1980s, largely due to major foreign policy initiatives such as the Alliance for Progress for Latin America in 1961 and the infusion of funds to implement the Camp David Middle East Peace Accords in 1979. The lowest point in U.S. foreign aid spending came in 1997 when foreign operations appropriations fell near \$18 billion (in constant dollar terms) and represented roughly 29 percent of the peak foreign aid committed during the Marshall Plan period.

Following the September 11, 2001 terrorist attacks, foreign aid became a key instrument in fighting the global war on terrorism and contributing to the reconstruction of Afghanistan and Iraq. See Figure 9 at the end of this section for a more detailed snapshot of foreign aid funding trends and related foreign policy events.

As a percent of gross domestic product, prior to the mid-1960s, in most years foreign aid represented over 1 percent. Following the Vietnam War, foreign assistance as a percent of gross domestic product (GDP) ranged between 0.5 percent and 0.25 percent for the next twenty years. The program's share of GDP dropped to its lowest level ever in FY 2001 (0.15%), but has risen somewhat in recent years, averaging about 0.20 percent between FY 2006 and FY 2008 (Figure 8).

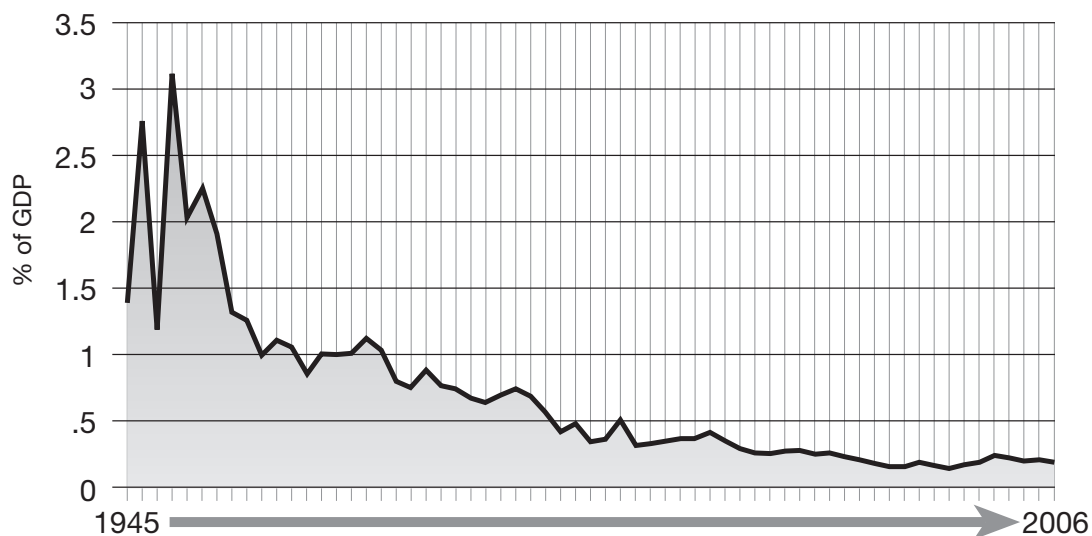




**Source:** U.S. Overseas Loans and Grants (Greenbook) July 1, 1945-September 30, 2006; House and Senate appropriations legislation; CRS calculations.

**Notes:** This figure is based in the data from **Table A-3**. See notes following **Table A-3** for an explanation of the methodology used.

**Figure 7. U.S. Foreign Aid: FYs 1946-2008**  
(Obligations, in Millions of Constant 2008 U.S. Dollars)



**Source:** Greenbook, U.S. Department of Commerce, CRS calculations.

**Figure 8. Foreign Aid as Percent of Gross Domestic Product**

Congress appropriates most foreign aid money through annual DOS-foreign operations appropriations bill. That legislation represents the most direct congressional action on foreign

assistance spending decisions, although small but growing amounts of foreign aid are funded in other legislation.<sup>12</sup> Like other measures of foreign assistance programs, DOS-foreign operations appropriations declined in the mid-1990s to near \$16 billion in 2008 dollars, the lowest level during the past decade in real terms (Table 2). Appropriated amounts rose beginning in FY 1998 and averaged about \$19 billion in constant dollars through the next four years. The combination of additional funding for the war on terrorism, Afghanistan reconstruction, and new foreign aid initiatives focused on HIV/AIDS and the Millennium Challenge Corporation, have pushed average annual Foreign Operations appropriations well above \$20 billion consistently since FY 2003. Including Iraq funding, FY 2004 was the largest Foreign Operations appropriations level, in real terms, in at least 30 years.<sup>13</sup>

### How Does Foreign Aid Compare with Other Federal Programs?

Foreign aid spending is a relatively small component of the U.S. federal budget. As part of the estimated total amount spent in FY 2008 on all discretionary programs (those controlled by Congress through appropriations), entitlements, and other mandatory activities, foreign aid outlays represent an estimated 1 percent. This figure is in line with typical foreign aid outlay amounts, which have generally equaled slightly less than 1 percent of total U.S. spending. Figure 10 compares foreign aid outlays for FY 2008 with those of other major USG spending categories.

**Table 2. Foreign Operation Appropriations, FY 1997-FY 2008**  
(in billions of dollars)

	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08
<b>\$ Current</b>	12.3	13.2	15.4	16.4	14.9	16.5	23.7	39.0 (20.6)	22.3	23.2	26.08	27.7
<b>\$ Constant 2008</b>	16.3	17.3	19.7	20.3	17.9	19.5	27.4	44.0 (23.2)	24.3	24.5	26.81	27.7

**Source:** Annual appropriations acts; CRS calculations.

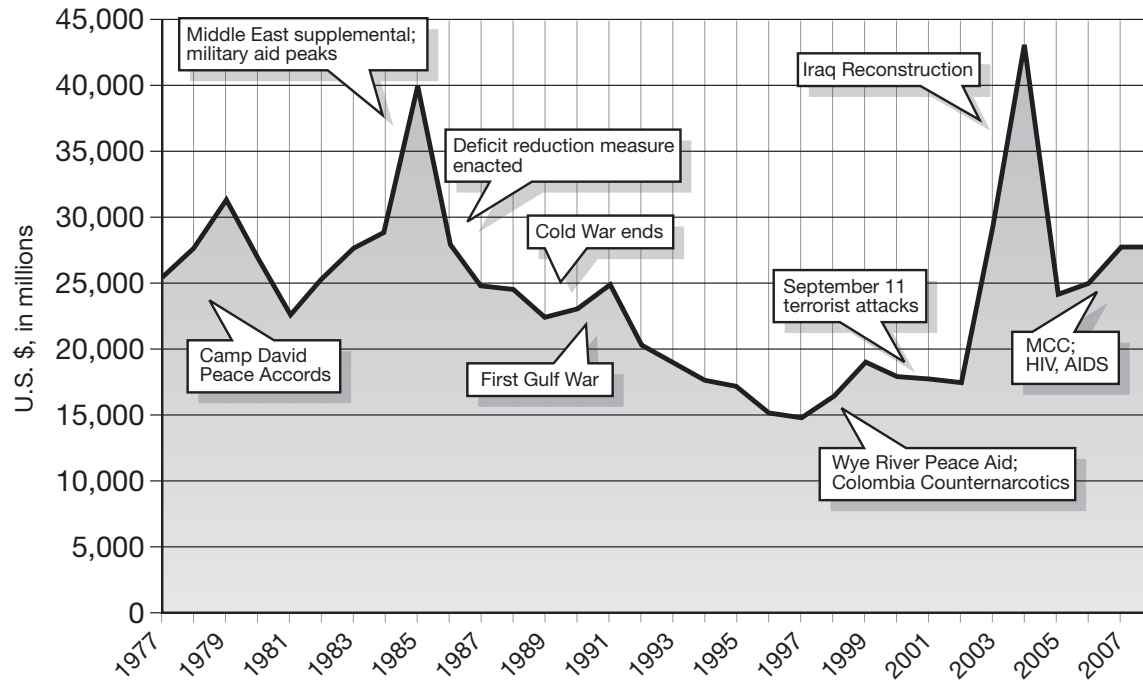
**Notes:** FY 1999 excludes \$17.861 billion for the IMF because it is offset by a U.S. claim on the IMF that is liquid and interest bearing, resulting in no outlays from the U.S. treasury. The FY 2004 figure in parenthesis shows the total without Iraq reconstruction funds to illustrate the significant but anomalous impact of those funds on total foreign assistance spending.

### How Much of Foreign Aid Dollars Are Spent on United States Goods?

Most U.S. foreign aid is used to procure U.S. goods and services, although amounts of aid coming back to the U.S. differ by program. No exact figure is available due to difficulties in tracking procurement item by item, but some general estimates are possible for individual programs, though these may vary from year to year.

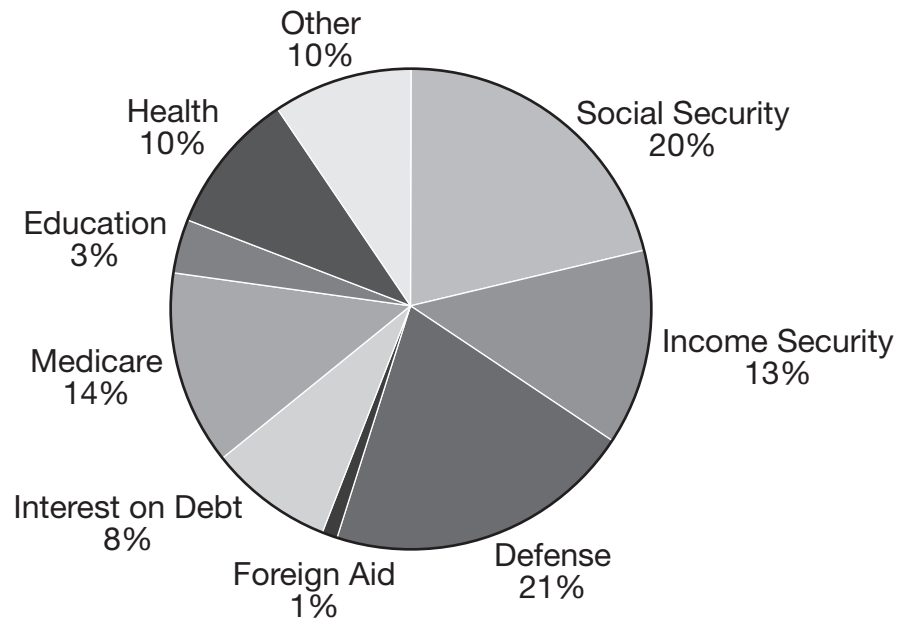
12 Most notably, food aid and certain Department of Defense aid programs are not appropriated in the Foreign Operations measure, while the Export-Import Bank, an activity not considered “foreign aid,” is funded in the Foreign Operations annual bill.

13 Due to changes over time in appropriation “scoring,” calculating historic Foreign Operations appropriations that are precisely equivalent to the methodology used currently is virtually impossible. This is especially true since Congress altered, beginning in FY 1992, the methodology for “scoring” credit programs. The 30-year estimate noted here compares the FY 2004 appropriation level of \$44.0 billion (in FY 2008 dollars) with total foreign aid obligations of about \$40 billion (real terms) in the early 1970s.



**Source:** Budget of the United States Government: Historic Tables Fiscal Year 2009, Table 5.1: Budget Authority by Function and Subfunction, 1976-2013; appropriations acts for FY2008.

**Figure 9. Foreign Aid Funding Trends, FY 1977-FY 2008**



**Source:** Budget of the United States Government: Historic Tables Fiscal Year 2009, Table 3.2: Outlays by Function and Subfunction, FY2008 Estimates

**Figure 10. U.S. Budget Outlays, Fiscal Year 2008**

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In FY 2008, roughly 87 percent, or \$4.1 billion, of military aid financing was used to procure U.S. military equipment and training. The remaining 13 percent, \$614 million, was allocated to Israel for procurement within that country.

Food assistance commodities are purchased wholly in the U.S. and most expenditures for shipping those commodities to recipient countries go entirely to U.S. freight companies. Under current law,<sup>14</sup> three-fourths of all food aid must be shipped by U.S. carriers. On this basis, a rough estimate suggests that more than 90 percent or nearly \$1.85 billion in FY 2008 of food aid expenditures were spent in the U.S.

Because U.S. contributions to multilateral institutions are mixed with funds from other nations and the bulk of the program is financed with borrowed funds rather than direct government contributions, the U.S. share of procurement financed by MDBs may even exceed the amount of the U.S. contribution, as occurred in 2003. However, no recent figures showing procurement on a nation-by-nation basis are available.

Although a small proportion of funding for bilateral development and political/strategic assistance programs results in transfers of U.S. dollars, the services of experts and project management personnel and much of the required equipment is procured from the U.S. Section 604 of the *Foreign Assistance Act of 1961* (FAA) (P.L. 87-195; 22 U.S.C. §2151) often referred to as the “Buy America” provision—limits the expenditure of foreign assistance funds outside the U.S., though subsequent amending legislation has loosened the restriction to allow for more expenditures within poor countries receiving assistance. Countries receiving MCC Compact grants are required to follow a modified version of World Bank procurement guidelines that call for open competition, excepting only specific countries subject to sanctions under U.S. law.

In addition to the direct benefits derived from aid dollars used for American goods and services, many argue that the foreign aid program brings significant indirect financial benefits to the U.S. First, it is argued that provision of military equipment through the military assistance program and food commodities through P.L.480, the Food For Peace program, helps to develop future, strictly commercial, markets for those products. Second, as countries develop economically, they are in a position to purchase more goods from abroad and the U.S. benefits as a trade partner.

The use of “tied” aid—which is conditional on procurement of goods and services from the donor-country or a limited group of designated countries—has become increasingly disfavored in the international community. Critics of such conditional aid argue that it inhibits a sense of responsibility and support on the part of recipient governments for development projects and impedes the integration of the host country into the global economy.<sup>15</sup> Studies have shown that tying aid increases the costs of goods and services by 15%-30% on average, and up to 40 percent for food aid, reducing the overall effectiveness of aid flows.<sup>16</sup> Reflecting donor concerns about these findings, the average percent of official bilateral development assistance from donor countries that was tied fell from 70 percent in 1985 to 15 percent in 2007. Meanwhile, 31 percent of U.S. bilateral development assistance in 2007 was tied, down sharply from 55 percent in 2006.<sup>17</sup> This is the highest level of tied aid among

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14 *The Cargo Preference Act*, P.L. 83-644, August 26, 1954.

15 *OECD Report on The Developmental Effectiveness of Untied Aid*, p.1, available at <http://www.oecd.org/dataoecd/5/22/41537529.pdf>.

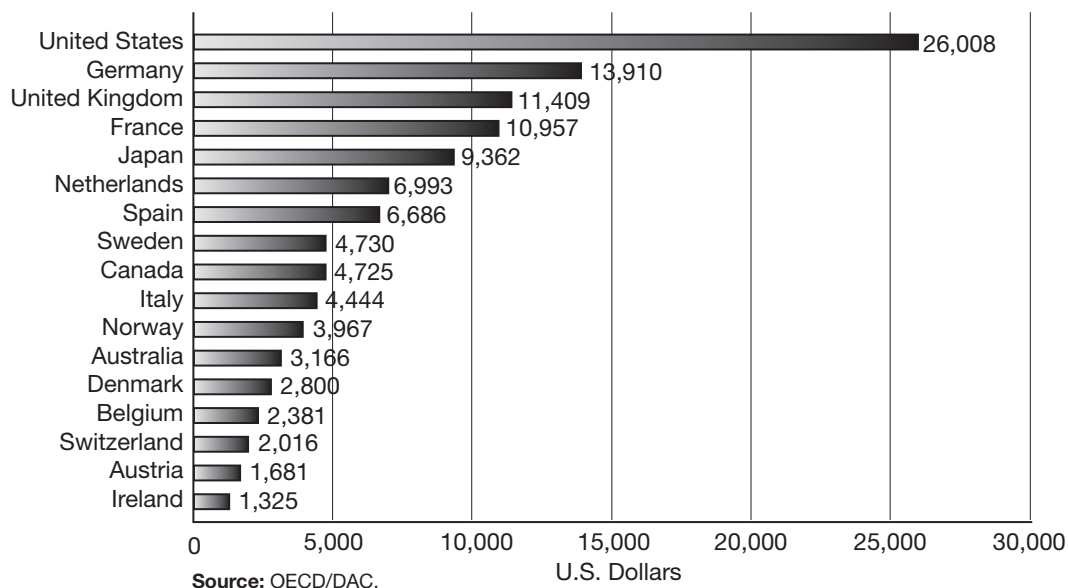
16 *Id.*, p.1

17 See <http://stats.oecd.org/wbos/Index.aspx?DatasetCode=TABLE1>; 2008 DAC Reporting Documents, Table 7B, provided by Bill McCormick at USAID.

donor countries, and widely believed to reflect policy makers' perception that maintaining public and political support for foreign aid programs requires ensuring direct economic benefit to the U.S. The U.S. joined other donor nations in committing to reduce tied aid in the Paris Declaration on Aid Effectiveness in March 2005, but the Declaration did not set target goals on tied aid as it did for the other indicators of progress identified in the document.<sup>18</sup>

### How Does the United States Rank as a Donor of Foreign Aid?

For decades, the United States ranked first among the developed countries in net disbursements of economic aid, or Official Development Assistance (ODA) as defined by the international donor community.<sup>19</sup> In 1989, for the first time, Japan supplanted the U.S. as the largest donor. The U.S. was again the leading donor from 1990 to 1992, and fluctuated between a second and third position from 1993 to 2000. In 2001, it again became the largest contributor and remained in that position in 2008, the most recent year for which data is available, with a commitment of \$26 billion. Germany followed at \$13.9 billion, the United Kingdom at \$11.4 billion, and France at \$10.9 billion. Japan, which has significantly scaled back its foreign aid program in recent years, gave \$9.36 billion in 2008. As a group, the 22 members of the Organization for Economic Cooperation and Development (OECD)'s Development Assistance Committee (DAC), representing the world's leading providers of economic aid, transferred \$119.76 billion in 2008, a 10.2 percent increase over 2007 levels in constant dollars.



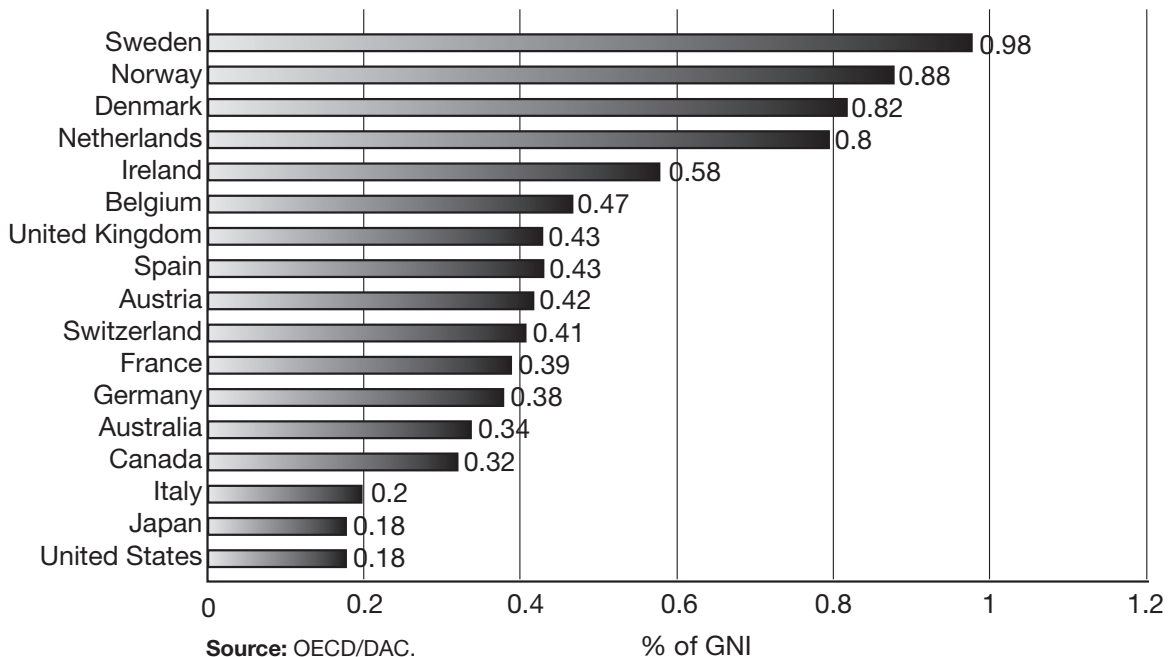
**Figure 11. Economic Aid From Major Donors, 2008  
(In Millions, U.S. Dollars)**

Even as it leads in dollar amounts of aid flows to developing countries, the U.S. is often among the last when aid transfers by developed country donors are calculated as a percent of gross national

<sup>18</sup> Paris Declaration on Aid Effectiveness: Ownership, Harmonization, Alignment, Results and Mutual Accountability, a product of the High Level Forum on Aid Effectiveness; Paris, France (March 2, 2005).

<sup>19</sup> The OECD Glossary of Statistical Terms defines ODA as "flows of official financing administered with the promotion of economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25%. By convention, ODA flows comprise contributions of donor government agencies, at all levels, to developing countries and to multilateral institutions." ODA does not include military assistance.

income (GNI).<sup>20</sup> In 2008, as has been the case since 1993, the U.S. ranked last among major donors at 0.18 percent of GNI, sharing the distinction in this instance with Japan. Sweden ranked first at .98 percent of GNI, while the United Kingdom dispensed 0.43 percent, France 0.39 percent, and Germany 0.38 percent. The average for all DAC members in 2008 was 0.47 percent, up from .25 percent in 2003.



**Figure 12. Economic Aid as Percent of GNI for Major Donors, 2008**

### **Delivery of Foreign Assistance**

How and in what form assistance reaches an aid recipient can vary widely, depending on the type of aid program, the objective of the assistance, and the agency responsible for providing the aid.

#### **What Executive Branch Agencies Administer Foreign Aid Programs?**

##### **United States Agency for International Development**

For over forty years, the bulk of the U.S. bilateral economic aid program has been administered by the USAID. Created by an executive branch reorganization in 1961, the USAID became an independent agency in 1999, although its Administrator reports to and serves under the “direct authority and foreign policy guidance” of the Secretary of State. USAID is directly responsible for most bilateral development assistance and disaster relief programs, including economic growth, global health, many democracy programs, and Title II of P.L. 480 (Food for Peace program) food assistance. These programs amounted to \$5.138 billion in FY 2008. In conjunction with the DOS, manages the ESF, SEED, and FSA programs, amounting to \$6.05 billion in FY 2008.<sup>21</sup> USAID’s staff in late 2008 totaled 7,291, of which only about 2,692 were U.S. citizen “direct hire” employees. Almost three quarters of USAID staff about 5,273 are U.S. citizen foreign service employees and

<sup>20</sup> Gross National Income (GNI) comprises GDP together with income received from countries (notably interest and dividends), less similar payments made to other countries.

<sup>21</sup> The DOS generally determines the policy on distribution of funds from these accounts, but the funds are appropriated and attributed to USAID when foreign assistance is reported by obligations.



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foreign nationals working overseas in one of the 84 country missions, six regional offices, and three representational offices to oversee the implementation of hundreds of projects undertaken by thousands of private sector contractors, consultants, and NGOs.<sup>22</sup>

### **United States Department of State**

In addition to those programs jointly managed with USAID, the DOS administers several aid programs directly. Individual offices at DOS oversee activities dealing with:

- International narcotics control and law enforcement
- Terrorism,
- Weapons proliferation
- Non-United Nations (non-U.N.) peacekeeping operations
- Refugee relief
- Voluntary support for a range of international organizations such as UNICEF

In FY 2008, appropriations for these DOS administered bilateral aid programs totaled about \$2.4 billion. DOS is also home to the Office of the Global AIDS Coordinator, created to manage President Bush's Global AIDS Initiative, which administered \$4.6 billion in FY 2008 for international HIV/AIDS, tuberculosis, and malaria programs. The funds are channeled through USAID, the Department of Health and Human Services, the Centers for Disease Control, the National Institutes for Health, and other implementing agencies. In addition, DOS has policy authority, together with the DOD, over the FMF and IMET programs, which are implemented by the DOD's Defense Security Cooperation Agency (DSCA).

The Director of Foreign Assistance (DFA), a DOS position created in 2006, is charged with coordinating U.S. assistance programs. Until January 2009 when a separate acting DFA was appointed, the DFA served concurrently as the Administrator of USAID. The DFA has authority over most DOS and USAID programs. Though the DFA is also tasked with providing "guidance" to other agencies that manage foreign aid activities, major foreign aid programs, such as the Millennium Challenge Account and the Office of the Global AIDS Coordinator, have remained outside of the DFA's authority.

### **United States Department of Defense**

Most military assistance, including FMF and IMET, is administered by the DOD in conjunction with the Bureau of Political-Military Affairs in the DOS. The Defense Security Cooperation Agency is the primary DOD body responsible for FMF and related training programs. DOD has also been involved in an expanded range of foreign assistance activities in recent years, providing development assistance to Iraq and Afghanistan through the Commander's Emergency Response Program (CERP) and the Iraq Relief and Reconstruction Fund, and elsewhere through the Defense Health Program, counter-drug activities, and humanitarian and disaster relief activities. While DOD managed about \$4.9 billion in traditional military aid in FY 2008, other funds appropriated through defense appropriations legislation, and not counted as foreign assistance for the purposes of this report, have been used to carry out state-building development activities, usually in the context of training exercises and military operations, that were once the exclusive jurisdiction of civilian aid agencies.

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<sup>22</sup> Semi-Annual *USAID Worldwide Staffing Pattern Report*, data as of November 30, 2008, Table 1.

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## **United States Department of the Treasury**

The Treasury Department administers three foreign aid programs. U.S. contributions to and participation in the World Bank and other multilateral development institutions are managed by Treasury's Under Secretary for International Affairs. Presidentially appointed U.S. executive directors at each of the banks represent the U.S.' point of view. Treasury also deals with foreign debt reduction issues and programs, including U.S. participation in the Highly Indebted Poor Countries (HIPC) initiative. The Treasury Department further manages a technical assistance program, offering temporary financial advisors to countries implementing major economic reforms and combating terrorist finance activity. For FY 2008, funding for activities falling under the Treasury Department's jurisdiction totaled about \$1.3 billion.

## **Millennium Challenge Corporation**

A new foreign aid agency was created in February 2004 to administer the Millennium Challenge Account (MCA) initiative. The account is intended to concentrate significantly higher amounts of U.S. resources in a few low- and low-middle income countries that have demonstrated a strong commitment to political, economic, and social reforms. A significant feature of the MCA program is that recipient countries formulate, propose and implement mutually-agreed multi-year U.S.-funded projects known as Compacts. Compacts in the 18 recipient countries selected to date have emphasized construction of infrastructure. The Millennium Challenge Corporation (MCC) is charged with managing this results-oriented, competitive foreign aid delivery mechanism. The MCC is a USG corporation, headed by a Chief Executive Officer who reports to a Board of Directors chaired by the Secretary of DOS. The Corporation maintains a relatively small staff of about 300. The MCC managed a budget of \$1.5 billion in FY 2008.

## **Other Agencies**

Other government agencies that play a role in implementing foreign aid programs include the Peace Corps, the Trade and Development Agency (TDA), and the Overseas Private Investment Corporation (OPIC). The Peace Corps, an autonomous agency with an FY 2008 budget of \$331 million, supports nearly 8,000 volunteers in 76 countries. Peace Corps volunteers work in a wide range of educational, health, and community development projects. TDA finances trade missions and feasibility studies for private sector projects likely to generate U.S. exports. Its budget in FY 2008 was \$50 million. OPIC provides political risk insurance to U.S. companies investing in developing countries and the new democracies and finances projects through loans and guarantees. It also supports investment missions and provides other pre-investment information services. Its insurance activities have been self-sustaining, but credit reform rules require a relatively small appropriation to back up U.S. guarantees and for administrative expenses. For FY 2008, Congress appropriated \$71 million to OPIC.

Two independent agencies, the Inter-American Foundation and the African Development Foundation, also administer U.S. foreign aid. Both organizations emphasize grassroots development by providing financial support to local private organizations in developing countries. For FY 2008, Congress appropriated \$21 million and \$29 million, respectively, to the Inter-American Foundation and the African Development Foundation.

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## **What Are the Different Forms in Which Assistance Is Provided?**

Most U.S. assistance is now provided as a grant (gift) rather than a loan, but the forms a grant may take are diverse.

### **Cash Transfers**

Although it is the exception rather than the rule, some countries receive aid in the form of a cash grant to the government. Dollars provided in this way support a government's balance-of payments situation, enabling it to purchase more U.S. goods, service its debt, or devote more domestic revenues to developmental or other purposes. Cash transfers have been made as a reward to countries that have supported the U.S. in its war on terrorism (Turkey and Jordan in FY 2004), to provide political and strategic support (both Egypt and Israel annually for decades after the 1979 Camp David Peace Accord), and in exchange for undertaking difficult political and economic reforms. Countries receiving cash transfers in 2007 were Pakistan (\$200 million), Egypt (\$284 million), Jordan (\$116 million), and Lebanon (\$250 million).

### **Equipment and Commodities**

Assistance may be provided in the form of food commodities, weapons systems, or equipment such as generators or computers. Food aid may be provided directly to meet humanitarian needs or to encourage attendance at a maternal/child health care program. Weapons supplied under the Military Assistance Program (MAP) may include training in their use. Equipment and commodities provided under development assistance are usually integrated with other forms of aid to meet objectives in a particular social or economic sector. For instance, textbooks have been provided in both Afghanistan and Iraq as part of a broader effort to reform the educational sector and train teachers. Computers may be offered in conjunction with training and expertise to fledgling micro credit institutions. In recent years, antiretroviral drugs (ARVs) provided through PEPFAR programs to individuals living with HIV/AIDS have been a significant component of commodity based assistance.

### **Economic Infrastructure**

Although once a significant portion of U.S. assistance programs, construction of economic infrastructure, roads, irrigation systems, electric power facilities, was rarely provided after the 1970s. Because of the substantial expense of these projects, they were to be found only in large assistance programs, such as that for Egypt in the 1980s and 1990s, where the U.S. constructed major urban water and sanitation systems. In the past decade, however, the aid programs in Iraq and Afghanistan have supported the building of schools, health clinics, roads, power plants and irrigation systems. In Iraq alone, more than \$10 billion has gone to economic infrastructure. Economic infrastructure is now also supported by U.S. assistance in a wider range of developing countries through the Millennium Challenge Account. In this case, recipient countries design their own assistance programs, most of which, to date, include an infrastructure component.

### **Training**

Transfer of know-how is a significant part of most assistance programs. The IMET provides training to officers of the military forces of allied and friendly nations. Tens of thousands of citizens of aid recipient countries receive short-term technical training or longer term degree training annually under USAID's participant training program. More than one-third of Peace Corps volunteers are English, math, and science teachers. Other programs provide law enforcement personnel with anti-narcotics or anti-terrorism training.

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## **Expertise**

Many assistance programs provide expert advice to government and private sector organizations. The Treasury Department, USAID, and U.S.-funded multilateral banks all place specialists in host government ministries to make recommendations on policy reforms in a wide variety of sectors. USAID has often placed experts in private sector business and civic organizations to help strengthen them in their formative years or while indigenous staff are being trained. While most of these experts are U.S. nationals, in Russia, USAID has funded the development of locally staffed political and economic think tanks to offer policy options to that government.

## **Small Grants**

USAID, the Inter-American Foundation, and the African Development Foundation often provide aid in the form of grants that may then be used by U.S. or indigenous organizations to further their varied developmental purposes. For instance, grants are sometimes provided to micro credit organizations which in turn provide loans to micro entrepreneurs. Through the USAID-funded Eurasia Foundation, grants are provided to help strengthen the role of former Soviet Union NGOs in democratization and private enterprise development.

## **How Much Aid Is Provided as Loans and How Much as Grants?**

### **What Are Some Types of Loans? Have Loans Been Repaid?**

### **Why Is Repayment of Some Loans Forgiven?**

Under the FAA, the President may determine the terms and conditions under which most forms of assistance are provided. In general, the financial condition of a country its ability to meet repayment obligations has been an important criterion of the decision to provide a loan or grant. Some programs, such as humanitarian and disaster relief programs were designed from the beginning to be entirely grant activities.

## **Loan and Grant Composition**

During the past two decades, nearly all foreign aid, military as well as economic, has been provided in grant form. Between 1962 and 1988, loans represented 32 percent of total military and economic assistance. This figure declined substantially beginning in the mid-1980s, until by FY 2001, loans represented less than 1 percent of total aid appropriations. The de-emphasis on loan programs came largely in response to the debt problems of developing countries. Both Congress and the executive branch supported the view that foreign aid should not add to the already existing debt burden carried by these countries.

## **Types of Loans**

Although a small proportion of total aid, there are several significant USAID-managed programs that provide direct loans or guarantee loans. Under the Israeli Loan Guarantee Program, the U.S. has guaranteed repayment of loans made by commercial sources to support the costs of immigrants settling in Israel from other countries. Other guarantee programs support low income housing and community development programs of developing countries and micro enterprise and small business credit programs. A Development Credit Authority in which risk is shared with a private sector bank can be used to support any development sector.

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## Loan Repayment

Between 1946 and 2006, the U.S. loaned more than \$108 billion in foreign aid, and while most foreign aid is now provided through grants, \$22.6 billion in loans to foreign governments remained outstanding in 2007.<sup>23</sup> Most recipients of U.S. loans remain current or only slightly in arrears on debt payments. For nearly three decades, Section 620q of the FAA (the Brooke amendment) has prohibited new assistance to any country that falls more than one year past due in servicing its debt obligations to the U.S. Argentina, Democratic Republic of the Congo, Somalia, Sudan, Syria, and Zimbabwe are countries to which the provision applies as of October 2008.<sup>24</sup> The President may waive application of this prohibition if he determines it is in the national interest.

## Debt Forgiveness

The U.S. has also forgiven debts owed by foreign governments and encouraged, with mixed success, other foreign aid donors and international financial institutions to do likewise. In total, the U.S. forgave or reduced about \$24.3 billion owed by foreign governments between 1990 and 2007.<sup>25</sup>

In some cases, the decision to forgive foreign aid debts has been based largely on economic grounds as another means to support development efforts by heavily indebted, but reform minded, countries. The U.S. has been one of the strongest supporters of the Heavily Indebted Poor Country (HIPC) Initiative. This initiative, which began in the late 1990s and continues in 2008, includes for the first time participation of the World Bank, the International Monetary Fund, and other international financial institutions in a comprehensive debt workout framework for the world's poorest and most debt-strapped nations.

The largest and most hotly debated debt forgiveness actions have been implemented for much broader foreign policy reasons with a more strategic purpose. Poland, during its transition from a communist system and centrally-planned economy (1990—\$2.46 billion), Egypt, for making peace with Israel and helping maintain the Arab coalition during the Persian Gulf War (1990—\$7 billion), and Jordan, after signing a peace accord with Israel (1994—\$700 million), are examples. Similarly, the U.S. forgave about \$4.1 billion in outstanding Saddam era Iraqi debt in November 2004, and helped negotiate an 80 percent reduction in Iraq's debt to Paris Club members later that month.<sup>26</sup>

## What Are the Roles of Government and Private Sector in Development and Humanitarian Aid Delivery?

Most development and humanitarian assistance activities are not directly implemented by USG personnel but by private sector entities. Generally speaking, government foreign service and civil servants determine the direction and priorities of the aid program, allocate funds while keeping within legislative requirements, ensure that appropriate projects are in place to meet aid objectives, select implementors, and monitor the implementation of those projects for effectiveness and financial accountability. At one time, USAID professionals played a larger role in implementing aid programs,

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23 *U.S. Overseas Loans and Grants* (Greenbook) 2006; U.S. Department of the Treasury and the Office of Management and Budget. U.S. Government Foreign Credit Exposure as of December 31, 2006, part 1, p. 20.

24 Information provided by Department of State, F Bureau, 1/6/2009.

25 U.S. Department of the Treasury and the Office of Management and Budget. *U.S. Government Foreign Credit Exposure as of December 31, 2006*, part 1, p. 9.

26 For more on debt relief for Iraq, see CRS Report RL33376, *Iraq's Debt Relief: Procedure and Potential Implications for International Debt Relief*, by Martin A. Weiss.

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but the affect of budget cuts on personnel and the emergence of private sector alternatives over the past thirty years has led to a shift in responsibilities.<sup>27</sup>

Private sector aid implementors, usually employed as contractors or grantees, may be individual personal service contractors, consulting firms, non-profit non-government organizations, universities, or charitable private voluntary organizations (PVOs). These carry out the vast array of aid projects in all sectors.

## **Congress and Foreign Aid**

### **What Congressional Committees Oversee Foreign Aid Programs?**

Numerous congressional authorizing committees and appropriations subcommittees maintain responsibility for U.S. foreign assistance. Several committees have responsibility for authorizing legislation establishing programs and policy and for conducting oversight of foreign aid programs. The Senate, the Committee on Foreign Relations, and in the House, the Committee on Foreign Affairs, have primary jurisdiction over bilateral development assistance, ESF and other economic security assistance, military assistance, and international organizations. Food aid, primarily the responsibility of the Agriculture Committees in both bodies, is shared with the Foreign Affairs Committee in the House. U.S. contributions to multilateral development banks are within the jurisdiction of the Senate Foreign Relations Committee and the House Financial Services Committee.

Traditionally, foreign aid appropriations are provided entirely through subcommittees of the Appropriations panels in both the House and Senate. Most foreign aid funds fall under the jurisdiction of the DOS-Foreign Operations Subcommittees, with food assistance appropriated by the Agriculture Subcommittees. As noted earlier, however, a growing segment of military activities that could be categorized as foreign aid have been appropriated through the Defense Subcommittees in recent years.

### **What Are the Major Foreign Aid Legislative Vehicles?**

The most significant permanent foreign aid authorization laws are the FAA of 1961, covering most bilateral economic and security assistance programs (P.L. 87-195; 22 *United States Code* (U.S.C.) 2151), the AECA (1976), authorizing military sales and financing (P.L. 90-629; 22 U.S.C. 2751), the *Agricultural Trade Development and Assistance Act of 1954* (P.L. 480), covering food aid (P.L. 83-480; 7 U.S.C. 1691), and the *Bretton Woods Agreement Act (1945)* authorizing U.S. participation in multilateral development banks (P.L. 79-171; 22 U.S.C. 286).<sup>28</sup>

In the past, Congress usually scheduled debates every two years on omnibus foreign aid bills that amended these permanent authorization measures. Although foreign aid authorizing bills have passed the House or Senate, or both, on numerous occasions, Congress has not enacted into law a comprehensive foreign assistance authorization measure since 1985. Instead, foreign aid bills have frequently stalled at some point in the debate because of controversial issues, a tight legislative calendar, or executive-legislative foreign policy disputes.<sup>29</sup>

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27 Currently there are about 2,400 U.S. direct hire personnel at USAID, down from 3,406 in 1992 and 8,600 in 1962.

28 Separate permanent authorizations exist for other specific foreign aid programs such as the Peace Corps, the Inter-American Foundation, and the African Development Foundation.

29 A few foreign aid programs that are authorized in other legislation have received more regular legislative review. Authorizing legislation for voluntary contributions to international organizations and refugee programs, for example, are usually contained in omnibus Foreign Relations Authorization measures that also address DOS and public diplomacy issues. Food aid and amendments to P.L.480 are usually considered in the omnibus “farm bill” that Congress re-authorizes every five years.



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In lieu of approving a broad authorization bill, Congress has on occasion authorized major foreign assistance initiatives for specific regions, countries, or aid sectors in stand-alone legislation or within an appropriation bill. Among these are listed below.

- *The SEED Act of 1989* ( P.L. 101-179; 22 U.S.C. 5401)
- *The FREEDOM Support Act of 1992* (P.L. 102-511; 22 U.S.C. 5801)
- *The United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003* (P.L. 108-25; 22 U.S.C. 7601)
- *The Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008* (P.L. 110-293)
- *The Millennium Challenge Act of 2003* (Division D, Title VI of P.L. 108-199)

In the absence of regular enactment of foreign aid authorization bills, appropriation measures considered annually within the DOS-Foreign Operations spending bill have assumed greater significance for Congress in influencing U.S. foreign aid policy. Not only do appropriations bills set spending levels each year for nearly every foreign assistance account, DOS-Foreign Operations appropriations also incorporate new policy initiatives that would otherwise be debated and enacted as part of authorizing legislation.

## Appendix A. Data Tables

**Table A-1. Aid Program Composition, FY 2008**

Aid Program	Dollars (Billions)	Percent of Total Aid
Bilateral Development	\$10.298	35.5%
Humanitarian	\$4.169	14.4%
Multilateral Development	\$1.594	5.5%
Economic Political/Security	\$7.840	27.1%
Military	\$5.068	17.5%
<b>Total</b>	<b>\$28.969</b>	<b>100.0%</b>

**Source:** House and Senate Appropriations Committees and CRS calculations.

**Note:** Based on appropriated levels in the 151 and 152 sub-function accounts. Table omits operational expense accounts.

**Table A-2. Program Composition, Fiscal Year 1995 - Fiscal Year 2008  
(Current Dollars in Billions, and as Percent of Total Aid)**

Fiscal Year	Development/ Humanitarian		Economic Political/Security		Military		Total
1995	\$6.539	47.6%	\$3.636	26.4%	\$3.572	26.0%	\$13.747
1996	\$5.096	41.4%	\$3.689	29.9%	\$3.536	28.7%	\$12.321
1997	\$4.969	41.0%	\$3.827	31.6%	\$3.333	27.5%	\$12.129
1998	\$5.575	42.8%	\$4.038	31.0%	\$3.425	26.3%	\$13.038
1999	\$6.433	42.1%	\$5.352	35.0%	\$3.507	22.9%	\$15.292
2000	\$5.331	33.1%	\$5.780	35.9%	\$4.998	31.0%	\$16.109
2001	\$6.365	43.8%	\$4.430	30.5%	\$3.753	25.8%	\$14.548
2002	\$6.649	41.3%	\$5.557	34.6%	\$3.875	24.1%	\$16.081
2003	\$8.361	34.1%	\$9.737	39.7%	\$6.399	26.1%	\$24.497
2004	\$9.520	24.6%	\$19.310	49.9%	\$9.849	25.5%	\$38.679
2004 (w/o Iraq)	\$9.520	47.0%	\$5.873	29.0%	\$4.849	24.0%	\$20.242
2005	\$11.531	47.9%	\$7.027	29.2%	\$5.502	22.9%	\$24.060
2006	\$12.087	50.6%	\$6.891	28.9%	\$4.902	20.5%	\$23.880
2007	\$13.784	50.9%	\$7.957	29.4%	\$5.365	19.8%	\$27.106
2008	\$16.061	55.4%	\$7.840	27.1%	\$5.068	17.5%	\$28.969

**Source:** USAID, House and Senate Appropriations Committees, and CRS calculations.

**Notes:** Based on appropriated levels in the 151 and 152 subfunction accounts. FY 2004 without Iraq subtracts \$18.4 billion in Iraq Relief and Reconstruction Funds from political-strategic aid—\$5 billion from military aid and the rest from political-strategic aid. Table omits operational expense accounts.

**Table A-3. Foreign Aid Funding Trends**

<b>Fiscal Year</b>	<b>Billions of Current U.S. Dollars</b>	<b>Billions of Constant 2008 Dollars</b>	<b>As Percent of Gross Domestic Product</b>	<b>As Percent of Total Discretionary Budget Authority</b>
1946	\$3.08	\$28.38	1.38%	—
1947	\$6.71	\$56.07	2.75%	—
1948	\$3.18	\$24.26	1.18%	—
1949	\$8.30	\$61.27	3.10%	—
1950	\$5.97	\$48.72	2.03%	—
1951	\$7.61	\$57.12	2.24%	—
1952	\$6.81	\$50.39	1.90%	—
1953	\$4.98	\$35.57	1.31%	—
1954	\$4.77	\$34.76	1.25%	—
1955	\$4.10	\$30.09	0.99%	—
1956	\$4.85	\$33.90	1.11%	—
1957	\$4.87	\$34.07	1.06%	—
1958	\$4.01	\$27.33	0.86%	—
1959	\$5.07	\$34.32	1.00%	—
1960	\$5.22	\$34.61	0.99%	—
1961	\$5.48	\$35.89	1.01%	—
1962	\$6.53	\$42.50	1.12%	—
1963	\$6.38	\$40.77	1.03%	—
1964	\$5.27	\$33.21	0.79%	—
1965	\$5.42	\$33.77	0.75%	—
1966	\$6.90	\$41.75	0.88%	—
1967	\$6.34	\$37.24	0.76%	—
1968	\$6.76	\$38.17	0.74%	—
1969	\$6.64	\$35.92	0.67%	—
1970	\$6.57	\$33.93	0.63%	—
1971	\$7.84	\$38.72	0.70%	—
1972	\$9.02	\$43.32	0.73%	—
1973	\$9.45	\$42.62	0.68%	—
1974	\$8.50	\$34.97	0.57%	—
1975	\$6.91	\$26.20	0.42%	—
1976 <sup>a</sup>	\$9.11	\$32.65	0.47%	—
1977	\$7.78	\$26.24	0.34%	3.15%
1978	\$9.01	\$28.42	0.35%	3.47%
1979	\$13.85	\$39.87	0.50%	5.02%
1980	\$9.69	\$25.10	0.31%	3.11%
1981	\$10.54	\$24.91	0.32%	3.09%
1982	\$12.32	\$27.46	0.35%	3.46%
1983	\$14.20	\$30.41	0.36%	3.66%
1984	\$15.52	\$31.85	0.37%	3.66%
1985	\$18.13	\$35.91	0.41%	3.97%

**Table A-3. Foreign Aid Funding Trends (Continued)**

<b>Fiscal Year</b>	<b>Billions of Current U.S. Dollars</b>	<b>Billions of Constant 2008 Dollars</b>	<b>As Percent of Gross Domestic Product</b>	<b>As Percent of Total Discretionary Budget Authority</b>
1986	\$16.62	\$32.30	0.35%	3.79%
1987	\$14.80	\$27.76	0.29%	3.32%
1988	\$13.97	\$22.85	0.28%	3.08%
1989	\$14.85	\$25.52	0.26%	3.15%
1990	\$16.02	\$26.13	0.27%	3.22%
1991	\$17.05	\$26.67	0.27%	3.12%
1992	\$16.43	\$24.95	0.25%	3.09%
1993	\$17.91	\$26.41	0.25%	3.42%
1994	\$17.04	\$24.50	0.23%	3.32%
1995	\$16.14	\$22.58	0.21%	3.22%
1996	\$14.68	\$19.94	0.18%	2.93%
1997	\$13.66	\$18.15	0.16%	2.67%
1998	\$14.69	\$19.21	0.16%	2.77%
1999	\$17.55	\$22.44	0.18%	3.02%
2000	\$16.39	\$20.27	0.16%	2.80%
2001	\$15.33	\$18.46	0.15%	2.31%
2002	\$17.93	\$21.24	0.16%	2.44%
2003	\$22.40	\$25.93	0.19%	2.64%
2004	\$29.69	\$33.50	0.24%	3.27%
2005	\$30.17	\$32.92	0.23%	3.06%
2006	\$27.26	\$28.80	0.20%	2.73%
2007	\$26.08	\$26.81	0.20%	2.59%
2008	\$27.68	\$27.68	0.19%	2.40%

Source: USAID, Office of Management and Budget, annual appropriations legislation and CRS calculations.

Notes: The data in this table represent obligated funds reported in the USAID Greenbook up through FY 2006 (FY 2007-FY 2008 are appropriations), but the Greenbook accounts included in the total have been adjusted by CRS to allow for accurate comparison over time. CRS has attempted to include only programs that correlate with the traditional foreign assistance budget accounts, excluding, for example, such Greenbook additions as DOS Department accounts for embassy security and Foreign Service retirement, Cooperative Threat Reduction funds to the former Soviet Union, and certain funds administered by the Department of Defense in Iraq and Afghanistan.

FY 2008 percent of GDP based on 3rd quarter reports.

- a. FY 1976 includes both regular FY 76 and transition quarter (TQ) funding, and the GDP calculation is based on the average FY 76 and TQ GDP.

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## Appendix B. Common Foreign Assistance Acronyms and Abbreviations

DA	Development Assistance
DOD	Department of Defense
ERMA	Emergency Refugee and Migration Assistance
ESF	Economic Support Fund
FMF	Foreign Military Financing
FSA	FREEDOM (Freedom for Russia and Emerging Eurasian Democracies and Open Markets) Support Act of 1992
GDP	Gross Domestic Product
GNI	Gross National Income
HIPC	Heavily Indebted Poor Country
IBRD	World Bank, International Bank for Reconstruction and Development
IDA	World Bank, International Development Association
IDA	International Disaster Assistance
IMET	International Military Education and Training
IMF	International Monetary Fund
INCLE	International Narcotics Control and Law Enforcement
MCC	Millennium Challenge Corporation
MDBs	Multilateral Development Banks
MRA	Migration and Refugees Assistance
NADR	Non-Proliferation, Anti-Terrorism, Demining and Related Programs
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OFDA	Office of Foreign Disaster Assistance
OPIC	Overseas Private Investment Corporation
OTI	Office of Transition Initiatives
PEPFAR	President's Emergency Plan for AIDS Relief
P.L. 480	Food for Peace/Food Aid
PVO	Private Voluntary Organization
SEED	Support for East European Democracy Act of 1989
TDA	U.S. Trade and Development Agency
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
USAID	U.S. Agency for International Development

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# Security Assistance Community

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## General Fraser Assumes Command of the United States Southern Command

By  
Mass Communication Specialist 1<sup>st</sup> Class Michael Wimbish  
United States Southern Command Public Affairs

[The following article is compliments of the SOUTHCOM (U.S. Southern Command) web site: [www.southcom.mil](http://www.southcom.mil), June 25, 2009.]

Air Force General Douglas M. Fraser became the first-ever Air Force officer to lead U.S. Southern Command as he relieved Navy Admiral James Stavridis during a change of command ceremony at the command's headquarters.

More than 300 invited guests and military leaders attended the event, including Defense Secretary Robert M. Gates and Vice Chairman of the Joint Chiefs of Staff, Marine Corps General James E. Cartwright.

Fraser comes to SOUTHCOM from U.S. Pacific Command, headquartered in Camp H.M. Smith, Hawaii, where he served as the Deputy Commander. As SOUTHCOM's Commander, he is now responsible for overseeing all U.S. military operations in Latin America and [the] Caribbean.

The transnational and trans-regional challenges we face to security, stability, and prosperity in the Americas can only be met through strong, enduring partnerships, said Fraser. I'm eager to work with this great team of professionals at Southern Command and our partners in South Florida and throughout the region.

I have followed this gentleman for many years. I am in the General Fraser fan club and have been for a long time. This is a wonderful appointment, said Cartwright.

Fraser is SOUTHCOM's 21st Commander since it was designated in 1963. He takes over following Stavridis' nearly three-year stint at SOUTHCOM, a tenure that included the rescue of three American hostages held for five years in Colombia, the growth of several multinational exercise programs, the institutionalization of humanitarian and disaster relief missions, and a complete headquarters reorganization.

Admiral Stavridis has fostered a spirit of interagency and international cooperation that reflects the post-Cold War realities of the 21st Century. He has made SOUTHCOM the embodiment of what is now called 'smart power,' [said Gates.]

Air Force General Douglas M. Fraser, Commander of Southern Command, receives the guidon from Marine General James E. Cartwright, Vice Chairman of the Joint Chiefs of Staff, during the change of command ceremony at Southern Command headquarters. Fraser relieved Navy Admiral James Stavridis as Commander of SOUTHCOM. Stavridis will head to Stuttgart, Germany, to take



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over European Command and become the Supreme Allied Commander of Europe. (Photo by J.J. Chiari)

When he first took this post nearly three years ago, [Stavridis] understood that the mix of security challenges facing this region—narcotics, corruption, gangs, kidnapping, and more—does not lend itself to military solutions as traditionally understood and practiced. Toward this end, [Stavridis] has not just redrawn this command's organization charts; he has fundamentally reformed its institutional culture and ways of doing business," said Gates.

Consider that arguably the most successful act of American public diplomacy so far in this new century was the tour of the U.S. Naval Ship Comfort in 2007," said Gates, who noted that the hospital ship's crew conducted 400,000 patient encounters and 1,700 surgeries in 12 nations. The success of that first tour spurred the subsequent Continuing Promise missions that carry on to this day.

Stavridis, who assumed command of SOUTHCOM on October 19, 2006, heads to North Atlantic Treaty Organization as the Supreme Allied Commander, Europe, headquartered in Mons, Belgium. He will also serve as Commander, U.S. European Command, in Stuttgart, Germany.

At the end of his speech, Stavridis told the audience that he will miss SOUTHCOM and that "my heart will always be in the Americas."

In addition to his previous post, Fraser has also served as Commander of Alaskan Command, a component command of U.S. Pacific Command; 11th Air Force, Pacific Air Forces; and Alaskan North American Defense Region, headquartered at Elmendorf Air Force Base, Alaska.

A 1975 graduate of the U.S. Air Force Academy and 1992 graduate of the National War College, Fraser earned a master's degree in political science from Auburn University in 1987.

Prior to the ceremony, Air Force Chief of Staff, General Norton Schwartz officially appointed Fraser to a four-star General at a small gathering of family, friends, and military leaders in the SOUTHCOM headquarters.

U.S. Southern Command is one of six geographic combatant commands in the Department of Defense. The command's region encompasses more than 30 countries in the Caribbean, Central America, and South America. Its mission is to conduct military operations and promote security cooperation to achieve U.S. strategic objectives.

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# **Admiral Stavridis Takes Over as United States European Command Commander**

**By  
Air Force Technical Sergeant Rob Hazelett  
United States European Command Public Affairs  
June 30, 2009**

Robert M. Gates, Secretary of Defense, passes the command colors to U.S. Navy Admiral James G. Stavridis during the U.S. European Command Change of Command Ceremony, June 30, 2009. Stavridis, the first U.S. Navy Commander to lead the command in its 57-year history, assumed command of more than 84,000 U.S. troops assigned in Europe from U.S. Army General John Craddock. (DoD photo by Richard Herman)

The Secretary of Defense, Robert Gates, and the Chairman of the Joint Chiefs of Staff, Admiral Mike Mullen, presided over the ceremony that transferred command to Admiral Stavridis from Army General John Craddock, who served as the USEUCOM Commander since December 2006.



Admiral became the 15th U.S. European Command (EUCOM) Commander during a change of command ceremony at Patch Barracks in Stuttgart, Germany, June 30, 2009.

General Craddock brings to a close nearly 40 years of exemplary service. In many ways it's appropriate we gather at this post in a country where he spent most of his time in uniform keeping the peace, Gates said. The trajectory of his career tracks some of the most important missions the U.S. military has undertaken during the last two generations. We are fortunate to have Admiral James Stavridis who is once again taking the baton from General Craddock as he did nearly three years ago in the U.S. Southern Command (SOUTHCOM), Gates said. I am confident that Admiral Stavridis will lead our brave men and women with honor and do right by them just as General Craddock has done during the last three years.

The change of command marks the third consecutive time Stavridis has relieved Craddock in their careers.

Stavridis, who previously served as the Commander of U.S. Southern Command in Miami, will also serve as the Supreme Allied Commander, Europe, following a July 2 change of command ceremony in Mons, Belgium. Stavridis welcomed distinguished guests, thanked Craddock for his leadership, and paid tribute to the host nation.

Partnership is what this command is all about, said Stavridis, who is the first naval officer to command USEUCOM. Partnership is built on trust, confidence, and shared experience—we have all of these not only with our host nation, but with many nations across this beautiful continent. The challenges are many from natural disasters, pandemic diseases, cyber attack, and transnational terrorism, he said. But I will tell

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you, in every challenge there is an opportunity, an opportunity for partnership, for partnership that is transparent and built on trust.

The EUCOM Commander's responsibility spans 51 nations and five U.S. subordinate commands represented by the Army, Navy, Air Force, Marine Corps, and Special Operations Command, Europe. Craddock thanked his family for their support and expressed his sincere thanks to the EUCOM staff and the component commands.

I thank you for your extraordinary efforts. You've made a huge difference, and I am grateful, said Craddock, who is retiring after serving more than 38 years in the Army. You've been busy, and I know you've worked hard day in and day out. To all who worked to do this: thank you, ordinary people doing a hero's job."

Mullen said Craddock's leadership as a soldier-statesman, in two combatant commands, back-to-back, all during a time of war, was vital to raising common goals above national boundaries.

Today, thanks to John (Craddock), any willing nation, no matter what size or how nascent, can and does contribute to global stability: from Gaza to the Gulf of Aden, from Kabul to Kazakhstan, Mullen said. I know I speak for thousands when I thank you for all you've done, and our greater military family is going to miss both of you.

Stavridis pointed out he is not taking the watch alone as he honored his troops' service and pledged his support and loyalty to each of them.

The good news in all of this is I will not do it alone, he said. With me and my wife; my daughter; a perfect chain of command on this podium behind me; and, above all, tens of thousands of shipmates in EUCOM who today stand the watch across this most fundamental of continents: USEUCOM was created in the fire of a distant war but today embarks on a voyage of peace. Let's get underway.

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## **Pakistan, Afghanistan, and the United States Agree: Cooperation is the Key to Success Along Border Pass**

**By  
United States Army Sergeant Matthew C. Moeller  
Combined Joint Task Force 82 Public Affairs**

Since the fall of the Taliban in late 2001, Pakistan and Afghanistan have shared not only a border, but also a common threat. Using early breakdowns in communication along that border to their advantage, insurgents would often attack in one country, only to flee into the other with little or no resistance. To prevent this, both countries, along with members of the International Security Assistance Force (ISAF), established regular border meetings, such as the one held at Nawa Pass in Kunar province, Afghanistan July 5.



Pakistani army Captain speaks with U.S. Army Captain about continued cooperation and information sharing along the Nawa Pass separating Afghanistan's Kunar province and Pakistan's Federally Administered Tribal Areas in order to help stop the flow of insurgent and smuggling along the shared border during a border meeting at the high mountain pass July 5. (Photo by U.S. Army Sgt. Matthew C. Moeller, 5th Mobile Public Affairs Detachment)

Taking place on the Afghan side of the border, the high mountain pass separating Afghanistan's Kunar province and Pakistan's Federally Administered Tribal Areas, the meeting is far removed from the metropolitan capitals of Islamabad and Kabul. Here the three parties sit across from each other outside on plastic lawn chairs talking of family; shared culture; and, most importantly, security.

We are fighting the same enemy, exclaimed Pakistani army Capt. Fahad, who like many people in the region has only one name. They attack on one side and flee to the other.

Nodding in agreement with his Afghan and Pakistani counterparts, U.S. Army Capt. Michael Harrison said, "That's why we need to work together to stop them." Separated by only a waist-high barbed wire fence, the area around the Nawa Pass was historically a safe haven for insurgents and smugglers. The area now serves as a crucial example of how cooperation among the three parties can lead to success along the border.

"The place is really a measuring stick of the success of what can happen when you have each side sharing security, sharing intelligence, and really understanding what the other is doing," said Harrison, Commander of Company A, 1st Battalion, 32nd Infantry Regiment, 10th Mountain Division, based out of Fort Drum, New York. According to Harrison, the success in security has allowed success in development, with the completion of a Provincial Reconstruction Team funded road improvement

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project, opening the remote region to the rest of the province. “The ability to do road construction is a direct result of that increased security,” he said.

Although Harrison admits not every border pass has reached the same level of cooperation as the two checkpoints along the Nawa Pass, he says there has been progress.

Overall they’ve been very receptive, he said. We’ve seen a great improvement over the past six months we’ve been here; and if we continue to have leaders like we do in the Nawa Pass, we’ll continue to improve.

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# **Pacific Partnership Wraps Up Multi-Mission Stop in Samoa**

**By**  
**Lieutenant Commander Nancy Harrity, USN**  
**Pacific Partnership Public Affairs**

[The following article is courtesy of the Pacific Command web site: [www.pacom.mil](http://www.pacom.mil), posted 13 July 2009.]

Pacific Partnership 2009 departed Samoa July 10, 2009 after working alongside Samoans and other partners and friends, delivering a variety of humanitarian civic assistance programs.

“When we first arrived, our goal was to grow in friendship, learn from one another, and build skills that will allow us all to respond in the event of any future humanitarian crisis,” said Commodore Andrew Cully, Pacific Partnership 2009 Mission Commander, during his speech at the closing ceremony at National Hospital in Apia. “There is no question that we have accomplished that and so much more.”

The Pacific Partnership team during this eleven day visit included military and government personnel from Australia, Canada, Japan, New Zealand, and the United States and civilian volunteers from International Aid, Project Hope, University of San Diego Pre-Dental Society, and World Vets who worked alongside their Samoan counterparts. Additionally, Pacific Partnership team members worked with a number of Samoan partners . . . under the Samoa Umbrella for non-governmental organizations (SUNGO), at each of the mission sites. Medical teams provided a wide variety of medical and dental services in programs on Apolima, Savai'i, and Upolu, treating a total of 3,520 patients. Biomedical repair technicians repaired 44 pieces of medical equipment, improving the Samoan medical system's ability to diagnose and treat patients.

The veterinarians treated 266 animals, [with] several surgeries including resetting a broken leg on one dog and a number of animal population control procedures.

The preventive medicine [team] conducted a number of programs designed to [help] the Samoan Ministry of Health (MOH) improve its ability to serve its citizens. The team restored a 20,000 ULV truck-mounted fogger, the only equipment available to the MOH to counter a mosquito-borne dengue outbreak, and provided training on vector control. They also conducted municipal water quality testing.

Health educators taught basic life support to the Samoan police; cardiac life support, surgical knot tying, and diabetes education to Samoan health care providers; and diabetes management, heart disease and stroke prevention, basic nutrition, and dental care to Samoans awaiting treatment at medical civic action programs.

Engineering teams completed a number of projects in Samoa. On Apolima, the engineers installed 60 feet of additional gutters and downspouts to increase the community's ability to capture fresh rain water in an existing water catchment tank.

On Savai'i, the combined engineering team from the U.S., Australia, New Zealand, and Samoa completed two projects. At Sasina Primary School, the team removed and replaced the assembly hall's corrugated metal roof, exterior fascia and shiplap siding, exterior doors, and interior walls. The team also installed two new water catchment tanks and guttering to route rain water into them.



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At Sataua Clinic, the team installed two new water catchment tanks, associated downspouts, a new pressure tank, and water pump.

On Upolu, the combined engineering team focused its efforts on the National Hospital in Apia, where it completed a number of projects including applying more than 5,800 square feet of non-slip coating to one of the hospital's key exterior walkways and renovating a structure used for patients' families. A new overhead roll up door was installed outside the hospital pharmacy to improve its security.

The Pacific Partnership team ventured [into] the community outside of the engineering and medical projects as well. The band played a number of events with the Samoan Police Band, including marching in the library week parade and the weekly police parade. At the request of the local youth orchestra, the band tuned three pianos and more than 20 violins and violas.

Pacific Partnership donated \$700 worth of books to the main library in Apia for distribution to school libraries throughout the country. Mission team members visited children at the Loto Tamafai School for the Disabled, sharing music and dance.

The U.S. Navy's Pacific Partnership is the dedicated humanitarian and civic assistance mission conducted with and through partner nations, non-governmental organizations, and other U.S. and international government agencies to execute a variety of humanitarian civic action missions in the Pacific Fleet area of responsibility.

Pacific Partnership 2009 is delivering Humanitarian and Civic Assistance missions from U.S. Naval Ship Richard E. Byrd, an underway replenishment ship, to the Oceanic nations of Kiribati, Republic of the Marshall Islands, Samoa, Solomon Islands, and Tonga.

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# **Adapting Our Army to a Changing Environment**

**By**

**Lieutenant General William B. Caldwell**

**Commanding General**

**United States Army Combined Arms Center, Fort Leavenworth, Kansas**

[The following article originally appeared in the *Center for Complex Operations Newsletter*, Issue No. 5, June 2009.]

Today, our Army is releasing new doctrine on *Security Force Assistance*, a critical mission that will likely shape much of our future success in the 21st century. The publication of this doctrine, Field Manual 3-07.1, marks the culmination of an unprecedented 90-day development cycle, a testament to our Army's flexibility and adaptability in the face of an increasingly complex and dynamic operational environment. This remarkable effort ensures that our forces poised to execute Security Force Assistance will deploy with doctrine that captures the rich experiences of the ongoing advisor mission in Iraq and Afghanistan, while posturing our Army for similar missions in other areas of the world.

The release of this doctrine also marks a path for our Army that assigns this mission to our modular brigade combat teams, the fundamental building block to a modern, versatile Army. In doing so, we have assured that our forces performing Security Force Assistance will retain their ability to conduct full spectrum operations, vital to maintaining the flexibility required to respond to any of the myriad threats across the spectrum of conflict. The brigade combat team specifically oriented on an advisory and assistance mission will continue to preserve its inherent capability to conduct offensive and defensive operations and, if necessary, to rapidly shift the bulk of its operational focus to combat operations. The organizational capacity of a brigade combat team focused on Security Force Assistance allows for greater synchronization and coordination of assistance and advisory tasks balanced against the fundamental need to maintain critical full spectrum operations capability.

There are critics to this approach—some believe that a focus on developing an enduring advisor capability for Security Force Assistance puts our soldiers' basic combat skills at risk; others argue that fostering this capability necessitates a fundamental redesign of our armed forces. Ultimately, this becomes a matter of balancing risk, not just to our Army, but to our nation.

By drawing on the brigade combat team as the basic building block for a lasting capability for Security Force Assistance, our Army will achieve a collective balance point across the force where we use the Army Force Generation—ARFORGEN—process to match the operational requirements of the [Geographic] Combatant Commanders with the capabilities of the modular brigade combat team as they train for an impending deployment. Ultimately, our Army is working to ensure it maintains the depth needed to operate across the spectrum of conflict while ensuring [Geographic] Combatant Commanders have what they need to achieve decisive results in any environment.

Field Manual 3-07.1, *Security Force Assistance*, represents a landmark addition to our doctrinal knowledge base—one that reflects the enduring lessons of our past experiences with traditional advisor missions, while preparing our soldiers for the operational demands of the emerging security environments of tomorrow. The pillars of Security Force Assistance, our modular brigade combat teams and our soldiers serving as advisors, mirror the evolving challenges presented by an era of persistent conflict, where success will be measured by the ability of our forces to build lasting

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relationships and lead others from behind. The release of this vital doctrine establishes not only the principles that will guide the conduct of Security Force Assistance; it resoundingly declares that this will no longer be an “additional duty” but a core competency of the United States Army.

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## Call for Papers for *PRISM*, A Journal of Complex Operations

We are pleased to welcome the debut of *PRISM*, a complex operations journal. *PRISM* will explore, promote, and reinforce emerging thought and best practices as civilian capacity increases to address challenges in stability, reconstruction, security, counterinsurgency, and irregular warfare operations. *PRISM* complements *Joint Force Quarterly*, the National Defense University (NDU) flagship publication for 16 years.

*PRISM* is tailored to serve policy-makers, scholars, and practitioners working to enhance U.S. Government competency in complex operations by exploring whole-of-community approaches among U.S. Government agencies, academic institutions, international governments and militaries, nongovernmental organizations, and other participants in the complex operations space.

*PRISM* will be published four times a year. It welcomes articles on a broad range of complex operations issues, especially those that focus on the nexus of civil-military integration. NDU Press is now accepting manuscripts for inclusion in the inaugural volume of *PRISM*, to be published in December 2009. Manuscripts may vary in length from 3,000 to 7,000 words and should be submitted per the guidance governing *Joint Force Quarterly* manuscripts at: <http://smallwarsjournal.com/documents/ccojune2009newsletter.pdf>.

Submissions and any other questions concerning *PRISM* may be directed to Michael Miklaucic at [miklaucicm@ndu.edu](mailto:miklaucicm@ndu.edu).

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# PERSPECTIVES

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## United States Releases Stingers to Taiwan

By  
**Wendell Minnick**  
*Defense News Contributing Author*

[The following article originally appeared in Defense News, 30 June 2009.]

The U.S. has released a \$45.3 million sale of 171 Stinger air-to-air missiles to Taiwan. Raytheon's Missile Systems won the contract under the Foreign Military Sales program. The missiles will be outfitted on new AH-64D Apache attack helicopters released to Taiwan in October 2009. In addition to the 171 missiles, Taiwan will also receive 24 captive flight trainers, 68 air-to-air launchers, seven launcher circuit evaluators, two digital launcher test sets, 60 coolant reservoir assemblies, three launcher emulators, and spares.

The U.S. Aviation and Missile Command Contracting Center, Army Contracting Command, Redstone Arsenal, Alabama, is the contracting activity. In October 2008, the U.S. released 30 AH-64D Block III Apache Longbow attack helicopters for \$2.5 billion. The package included 171 Stinger Block I air-to-air missiles and 35 Stinger Missile Captive Flight Trainers.

Other items in the October Apache package included 30 modernized target acquisition designation sight/pilot night vision sensors, 17 AN/APG-78 fire control radar and AN/APR-48 radar frequency interferometers, 69 T700-GE-701D turbine engines, 1,000 AGM-114L Longbow Hellfire missiles, and 66 M299 Hellfire Longbow missile launchers.

The Apaches will be used to interdict a Chinese amphibious invasion force attempting to cross the Taiwan Strait.



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# South Korea Drops 5th Generation Fighter Plan

By  
**Jung Sung-Ki**  
*Defense News Contributing Author*

[The following article originally appeared on the *Defense News* web site on 23 July 2009.]

South Korea will refocus its KF-X fighter-development program, which aimed to create a fifth-generation stealth fighter, and instead solicit foreign firms' help in producing about 250 F-16-class fighter jets after 2010, according to a research institute [in South Korea].

The Weapon Systems Concept Development and Application Research Center of Konkuk University was ordered in April by the government to look at the feasibility of the controversial KF-X effort, which originally aimed to produce and market about 120 aircraft stealthier than Dassault's Rafale or the Eurofighter Typhoon, but not as stealthy as Lockheed Martin's F-35 Lightning II.

On May 18, 2009, the center told major foreign aircraft manufacturers that the South Korean military wants to replace older F-4s and F-5s with a lesser fighter, one on par with the F-16 Block 50. In a letter, the center sent detailed operational requirements for the new jet, which is to have basic stealth technology and domestically built active electronically scanned array (AESA) radar.

Korea has been evaluated with the capacity of 63 percent of necessary technology if the total technology is assumed 100 percent, the letter said. That . . . means that self-development of aircraft is possible with joint development of core technology . . . and technology transfer from abroad."

On May 29, 2009, the center asked Boeing, Eurofighter, Lockheed Martin, and Saab about their views on the per-plane cost estimate of \$50 million, as well as budget-sharing ideas and technology transfer. The center will wrap up the feasibility study by October 2009. The Ministry of National Defense will issue a decision on the KF-X initiative by year's end.

## Requirements

The new jet is to have a combat radius about 1.5 times that of the F-16, an airframe life span 1.34 times longer than that of the F-16, better avionics than that of the F-16 Block 50, an electronic warfare suite, an infrared search-and-track system, and data link systems fit for a network-centric environment, the document says.

South Korea's LIG Nex1 is likely to build the AESA radar using technology provided by Israel's Elta Systems. Among other required capabilities are thrust of 50,000 pounds, provided by either one or two engines; super-velocity intercept and super-cruise capabilities; and the ability to hit targets in the air, on land, and at sea.

In the first eleven years of exploratory and full-scale development, about 120 KF-Xs would be built to replace F-4s and F-5s; and more than 130 aircraft would be produced after the first-phase models reach initial operational capability.

An industry source [in South Korea] said Boeing might be the front-runner with its F/A-18 Super Hornet and other 4.5-generation fighter technologies. Sweden's Saab aerospace group might

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take part as a systems integrator with Korea Aerospace Industries, South Korea's only aircraft maker, he said.

Greg Lexton, Vice President of Boeing Korea, said July 23, Boeing is looking at South Korea's KF-X proposal and called an F/A-18 green aircraft a "possible idea."

A Lockheed Martin executive noted that his firm had worked with South Korea to produce KF-16s under license and develop the T-50 Golden Eagle supersonic trainer jet. He also noted Lockheed's co-development work with European nations, Japan, and Taiwan.

We'll look at what South Korea wants carefully and discuss what Lockheed Martin will be able to do or not be able to do for the KF-X in the coming months, he said.

Defense analysts [in South Korea] remain skeptical about the effectiveness of the KF-X program. One chief researcher at the state-funded Korea Institute for Defense Analyses (KIDA) recalled an earlier study by a local economic policy think tank that concluded that the program would cost at least \$10 billion but would reap only \$3 billion in economic benefits.

I believe there have been no major changes in the content of the KF-X program since the 2007 feasibility study, he said. There is almost no persuasion in the rationale behind the costly program. Do you want to acquire sophisticated stealth aircraft technologies through the KF-X partnership? Or do you believe indigenous KF-16+ aircraft could be operationally feasible and sold to other nations after 2020?

State-of-the-art fifth-generation combat aircraft, such as the F-35 and Typhoon, are expected to dominate the global market between 2020 and 2050; so developing an indigenous KF-16+-level fighter could never be sound economically and technically, the researcher said.

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# Africa Command Focuses on Extremists, Drug Traffickers

By  
Donna Miles

*American Forces Press Service*

[The following article was provided courtesy of the Africa Command web site: [www.africom.mil](http://www.africom.mil), June 26, 2009.]

The top U.S. military officer with responsibility for Africa concedes he's worried about the threat of violent extremists taking hold there, particularly in Somalia, and said U.S. Africa Command is working to help regional governments prevent it.

We clearly worry about the threat of violent extremists taking hold in any parts of the continent where there are spaces that are under-governed or not in full control of the government, Army General William E. "Kip" Ward told National Public Radio yesterday.

And so Somalia is, indeed, a place that we are concerned about, he said. In that regard, our policy is to provide support to those governments that are in position in various parts of the continent as they seek to maintain their control over their spaces.

While not actively involved in training the Somali military, U.S. [Africa Command] is working through the Department of State (DOS) to provide other assistance, he said. Meanwhile, U.S. Africa Command also is working under the auspices of the DOS to help Liberia, which is emerging from a brutal civil war, stand up its new armed forces, he said.

"We also provide training support to other African nations who conduct military peacekeeping operations," Ward said. That support includes military mentors and technical training assistance and focuses not just on military skills, but also [on] respect for human rights and rule of law.

U.S. Africa Command also is a key player in a broader effort to crack down on narcotics trafficking in Western Africa, William Weshler, Deputy Assistant Secretary of Defense for Counter-narcotics and Global Threats, told the Senate Foreign Relations Committee earlier this week.

Although we are still defining the scope, we know that drug trafficking in West Africa is a major problem. It's growing rapidly, and we expect it to grow over the coming years," he said at the June 23, 2009 hearing.

The repercussions are far-reaching, Weshler warned. This endangers peace, stability, democracy, [and] our efforts to promote security sector reform in West Africa and poses an increasing threat to both our Africa and our European partners, he said.

Addressing this challenge requires an integrated approach that incorporates interagency and international capabilities to equip, train, and maintain regional partners' counter-narcotics organizations, he said. Weshler pointed to initiatives already under way in which U.S. Africa Command is working hand in hand with U.S. Southern Command's Joint Interagency Task Force South, the Defense Intelligence Agency, Naval Forces Africa, and others to monitor the drug flow and support projects aimed at stemming it.

Projects already under way in West Africa include constructions of boat and refueling facilities for the regional navies and coast guards, student sponsorship for classroom training, construction of

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a screening facility in Ghana, and establishment of an information fusion center in Cape Verde, he said.

All these programs are—it must be stressed—a result of a real interagency development process, and that’s critical for the success of any of these programs, Weschsler said, emphasizing the need for more and closer cooperation.

The time to deal with the drug trafficking problem, he told the committee, “is now, before it undermines our strategic interests on the African continent.”

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# United States Pressures Israel Aerospace Industries to Drop Bid on Fighter Jets to India

By  
Yaakov Katz

*The Jerusalem Post* Contributing Author

[The below article originally appeared in *The Jerusalem Post*, July 6, 2009.]

Under pressure from the Pentagon, Israel Aerospace Industries (IAI) has been forced to back out of a joint partnership with a Swedish aerospace company to compete in a multi-billion dollar tender to sell new multi-role fighter jets to the Indian Air Force. The deal, estimated at a whopping \$12 billion for over 120 new aircraft, is being fought over by Lockheed Martin's F-16, Boeing's F18/Hornet, Russia's MiG-35, and BAE [Systems'] Eurofighter. IAI was asked by Saab, manufacturer of the Gripen fighter jet, to jointly develop an advanced model which would compete for the deal.

The Defense Ministry ordered IAI to back out of the deal after the Pentagon expressed concern that American technology, used by Israel, would be integrated into the Gripen offered to the Indians.

The stated concern was that Western technology in Israeli hands would make its way to the Indians, one Israeli official said.

What was strange about the American request was that Boeing and Lockheed Martin—the two largest U.S. defense contractors—are also competing for the Indian deal. For this reason, Israeli officials said it was more likely that the Americans were concerned that if IAI competed for the deal with Saab, it would force the American companies to lower their prices.

A multi-role fighter, the Gripen is in service in Sweden, the Czech Republic, Hungary, and South Africa. IAI was supposed to provide the electronic systems— radar, communications, electronic-warfare—for the plane. This is not the first time that the Defense Ministry forced a local company out of a deal due to concerns that competition with American companies would cause friction with the United States.

Last summer, the Defense Ministry ordered Israel Military Industries (IMI) to back down from submitting a bid for a half-a-billion dollar deal to develop and manufacture a new tank for the Turkish Armed Forces. At the time, Turkey had informed the Defense Ministry of its interest in developing a new tank and asked if IMI would want to submit a bid. SIBAT [Hebrew acronym for Defense (Security) Assistance]—the Defense Ministry's Foreign Defense Assistance and Defense Export Organization—decided not to submit an Israeli offer so not to compete with the Americans.

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## **Saudis Take Delivery of First Typhoons**

**By**  
**Agence France-Presse**  
***Defense News* Contributing Author**

[The following article appeared on the *Defense News* web site 12 June 2009.]

Saudi Arabia has taken delivery of the first two Eurofighter Typhoons out of a massive order for 72 of the British planes that first fell into doubt over an arms scandal, state news agency Saudi Press Agency (SPA) said June 12, 2009. Assistant Defense and Aviation Minister Prince Khaled bin Sultan received the two Typhoons at a ceremony with British officials at the facilities of BAE Systems, the aircraft's manufacturer, in Wharton, England on June 11, it said.

The two fighters were the first out of an order for an eventual 72 that has been valued at up to 20 billion pounds (\$32.9 billion), including armaments and long-term servicing. Saudi Arabia is the first country outside Europe to have the Typhoon, a multi-role aircraft produced by a BAE Systems-led consortium of European firms.

The deal was first announced in August 2006 but then fell into doubt due to a British investigation into massive corruption allegations in earlier arms deals between Saudi Arabia and BAE Systems that implicated senior officials of both countries. The investigation into the so-called "Yamamah" deals was called off by the British government in December 2006 on grounds of "national security" and "public interest," and the final contract for the Typhoon aircraft was signed in September 2007.

The purchase will help the Saudis upgrade their air force from its current fleet of BAE's 1980s-vintage Tornado F3s and U.S. made Boeing F-15s.

Under the original deal, BAE is to deliver 24 Typhoons completely built to the Saudis; and another 48 are to be assembled inside Saudi Arabia as the country seeks to build up its own aeronautic industry capabilities. Prince Khaled, who is also Commander of the Saudi air force, said the new aircraft "are not to threaten anyone but to protect and secure the Kingdom of Saudi Arabia over the coming decades," SPA reported. But Riyadh is known to want to maintain air superiority over rival Iran amid fears that Tehran is seeking to extend the range of its air force to full region-wide capability. According to Lebanon-based defense news service Tactical Newswires, the Saudis will soon begin meetings with U.S. officials to discuss buying F-16s for the Saudi air force.



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# **Foreign Military Sales Construction in Iraq**

**By**

**Major Jared L. Ware, USA**

**Program Manager, Foreign Military Sales Construction,  
J7 Engineering Directorate, Multi-National Security Transition Command-Iraq**

One of the most robust and diverse foreign military sales (FMS) construction programs in the world is underway in Iraq. The cumulative \$1.03 billion program, managed by the Multi-National Security Transition Command-Iraq (MNSTC-I), provides engineering services and construction to Iraq's Ministry of Defense (MOD) and Ministry of Interior (MOI). The MNSTC-I J7 (military speak for engineering arm) Engineering Directorate works with various stakeholders from the Iraqi ministries, the Security Assistance Office, coalition advisors, and implementing agencies to develop projects from "cradle to grave" in support of Iraq's rapidly expanding security force construction requirements. Thus far, the FMS program has completed eight cases valued at \$140.5 million, with one case in progress for the design and construction of a pier and seawall complex at the port city of Umm Qasr for the Iraqi Navy, a project valued at approximately \$50 million. From a program initially implemented at the request of the Ministry of Defense, the FMS program has now grown to support the Ministry of Interior with three new cases valued at approximately \$200.0 million in engineering design and construction requirements. The FMS program in Iraq has steadily developed into a formalized program that differs from all other FMS programs around the world by the fact that it occurs in a combat environment. The operational environment has posed a number of challenges that require specialized planning and innovative solutions to meet the diverse engineering requirements of the program's unique portfolio.

## **Program**

The FMS Construction Program began in late 2007 with the signing of several cases in support of Iraqi Army force generation requirements linked to what has now become known as "The Surge Strategy." Iraq invested approximately \$300.0 million in military infrastructure for projects throughout the country. To date, nine projects have been awarded; and nine projects are currently in the pre-award stages. Unlike most foreign military sales programs around the world, the Security Assistance Office in Iraq resides within an operational military command and reports directly to a commanding General. Also, the current implementing agency, the United States Army Corps of Engineers (USACE), has a major subordinate command, Gulf Region Division, under an operational military commander. This ensures that all military construction is tied to an operational need and that it meets the intent of the overall joint campaign plan. The MNSTC-I J7 Engineering Directorate provides engineering support to the process as well as a program management function to link the Security Assistance Office and the implementing agencies to the engineers within the respective Iraqi ministries. Because of the various stakeholders and customers involved in the process, the MNSTC-I J7 has become the central repository for engineering program management and serves as a conduit of information to facilitate the FMS construction program.

## **Projects**

The FMS Program in Iraq has a number of design-build projects for both the MOD and the MOI. The MOD projects include a \$59.0 million Iraqi Army Brigade Complex constructed in Shaiba, which to date is the largest FMS project completed in Iraq. Other projects include the

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construction of a field hospital and five field mortuary sites valued at \$5.6 million. The current “flagship” construction project for the FMS program is the pier and seawall complex in Umm Qasr. This project for the Iraqi Navy will be completed in the fall of 2009 and will constitute Iraq’s major operational military seaport. Cases in the pre-award stage for the MOD include additional Army facilities in the Al Anbar Province as well as both Army and Air Force facilities in the Salah Ad Din Province. The MOI projects in the pre-award stage include a \$181.0 million project to construct border roads in support of Iraqi border security and the construction of a \$14.0 million counterterrorism headquarters facility within the greater Baghdad area. There are a number of projects in the developmental stage that will support border facilities upgrades, combat vehicle maintenance facilities, and naval communications towers. The ability to address these diverse engineering projects has improved the trust and cooperation between the stakeholders and has led to a \$200.0 million increase in Iraq’s FMS construction program in 2009.



**Figure 1**  
**Developing the Border Road Project in Al Anbar Province, Iraq**

### **Assessment**

A number of obstacles were encountered with the FMS construction program that required immediate attention. First, site assessments were initially problematic due to limited movement resources and the ever-changing security environment. In some cases, a thorough site assessment was never conducted, which led to issues in the pre-award stage of the project. In most countries, conducting a site assessment is as easy as jumping into a truck and driving to the proposed construction site. In Iraq, movement takes days of planning and coordination with various military staffs, contract engineers, and the Iraqi military and police. To mitigate the issues with site assessments and movement, all new FMS cases use the United States Corps of Engineer Reconnaissance Liaison Teams (RLTs). The RLTs are contracted security details with skills in basic site assessments and security analysis. The teams work with the MNSTC-I J7 and the Gulf Region USACE FMS Coordinator for the basic engineering requirements for a proposed site. The RLTs take measurements and photos of the area and write a detailed report on the route to the site, as well as gain an appreciation of the local atmospherics of the immediate region. After this report, the FMS team conducts a follow-on engineering assessment to prepare a detailed statement of work.



**Figure 2**  
**Partnering to Conduct the Engineering Site Assessment, Tikrit, Iraq**

### **Letter of Request**

Another challenging aspect of FMS construction was the initial Letter of Request (LOR) from the government of Iraq to the Security Assistance Office. The LOR is a formal request for FMS services from a foreign government to the United States. The request is usually a one-page document that outlines the basic requirements of the proposed construction project. Some of the existing LORs were developed in the same fashion as LORs for FMS equipment cases, which in turn led to issues with bidding the final contract. To mitigate this shortcoming, MNSTC-I J7 dedicated an engineer officer to work exclusively with Iraq's engineers and the Security Assistance Office in the development of all new LORs, as well as any amendments to existing LORs. This ensured that all requested engineering services and construction would be achievable upon final contracting, and it also implemented the "cradle-to-grave" engineering process to ensure a quality deliverable. Overall, this change in the FMS construction process has led to better stakeholder and customer buy-in, eliminated unnecessary engineering requirements, and ensured that critical requirements were addressed early in the preliminary design phase of the project.

### **Timeline**

The FMS timeline is not advantageous to a contingency construction environment and required an extensive review to determine areas where efficiencies could be gained. Normally, once the LOR is signed by the host nation and forwarded to the Security Assistance Office, it takes approximately 90 days to develop a Letter of Offer and Acceptance (LOA) for final signature by the host nation. In a combat environment, time is of the essence; and many construction priorities can be adjusted during that time frame. After the LOA is signed and sent to the construction implementing agency, the implementing agency has 120 days to develop a design and propose it to the host nation. In a non-combat, steady-state environment, that is usually not a problem; but in Iraq it has posed a significant challenge. To reduce the "wait time" in the request chain, MNSTC-I and USACE developed and instituted a Program Management Policy (PgMP) to allow for parallel and concurrent

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effort with respect to site assessments and design. The policy allowed for the use of pre-existing designs to be proposed to the Iraqis, which if approved, could be site adapted as required. Also, during the 90-day wait period for the LOR-to-LOA development, the FMS Coordinator in Iraq worked concurrently with USACE to update any site assessment or engineering information that would benefit the LOA development. In practice, the 90-day period was used to complete the initial site assessment, the engineering assessment, and a detailed statement of requirements. This ensured that the LOA would be properly developed and that Iraq would not have any “sticker shock” or unacceptable terms that might further delay the final LOA approval when presented to a respective ministry for signature.



**Figure 3**  
**Finalizing the Requirements On-Site with the End-Users**

### **Future Initiatives**

The FMS program’s implementing agency, initially the Air Force Center for Engineering and the Environment, has now fully transitioned to USACE. USACE, as a major subordinate command in theater, has a plethora of engineering support services to better enable the FMS program. USACE has provided a full-time FMS Liaison Office to MNSTC-I J7 and the Security Assistance Office to better support the FMS program. This liaison office will improve the “cradle-to-grave” engineering support that MNSTC-I is entrusted to provide for all FMS projects. USACE, in concert with MNSTC-I, is developing a training program to improve the basic engineering assessment skills of its RLTs. The goal is to have the USACE RLTs qualified to conduct quality assurance to USACE standards for all project sites such as the border roads. This objective is to reduce movement requirements as well as improve the delivery timeline of future projects. Finally, all projects will include an on-site Iraqi engineer from either the MOD or MOI, depending on the project sponsor. This will facilitate better communication flow to the ministries as well as improve local engineering capacity. With these proposed initiatives, the robust and diverse FMS construction program will continue to provide quality construction to our Iraqi partners and improve the country’s overall security posture.

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## About the Author

Major Jared Ware is currently the Program Manager for Foreign Military Sales Construction, J7 Engineering Directorate, Multi-National Security Transition Command–Iraq. He is an active duty Army engineering officer who has served in a variety of assignments both inside and outside the continental U.S. He is a graduate of the United States Military Academy and has earned graduate degrees in Engineering Management from Missouri University of Science and Technology in Rolla, Missouri and in Defense Geospatial Information from Cranfield University, Shrivenham, England.



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# Challenges of the Heroin Trade in Afghanistan

Gretchen Peters  
The Center for Complex Operations

[The following article originally appeared in the *Center for Complex Operations Newsletter*; Issue No. 5, June 2009.]

On 19 May, the Center for Complex Operations (CCO) brought together thirty interagency personnel from policy and counter-narcotics organizations for a discussion on the heroin trade in Afghanistan with journalist Gretchen Peters, author of the recently released: *Seeds of Terror: How Heroin is Bankrolling the Taliban and al Qaeda*. While most Taliban members do not grow the opium themselves, Ms. Peters argued that most of the Taliban should be seen as middle managers in a criminal syndicate analogous to modern day crime families. They provide protection to poppy fields and poppy convoys, and in exchange they collect up to 10 percent of the opium output and tax drug refineries. They, in turn, provide a portion of what they collect to the Quetta shura [Taliban council]. The heroin trade, however, is by far the Taliban's most profitable business, earning them, in Ms. Peters' estimation, nearly \$500 million each year. Like the mafia, there are separate "families" involved in the heroin trade; and representatives of each meet frequently in Pakistan.

Ms. Peters presented the many challenges the Afghan government, as well as the United States and North Atlantic Treaty Organization (NATO), faces in dealing with the heroin trade. Perhaps one of the more intractable issues is that some key members of the government, as well as other state actors, are intimately linked to the heroin trade. Poor infrastructure, including a shortage of roads, gives the advantage to the Taliban, who can more easily traverse the country's rugged terrain, while the Americans have much more difficulty maneuvering their mine-resistant vehicles and armored Humvees.

Even with these challenges, Ms. Peters identified a number of opportunities for reshaping American counter-narcotics strategy for Afghanistan. She placed emphasis on the need for security. If the U.S., and eventually the Afghan security forces, is able to provide security for the population, the farmers would likely be more confident that ending their support for the Taliban would not result in Taliban reprisals. They might also be more willing to consider alternative crops at that point as well. Additionally, the decentralized structure of the industry, with the involvement of many different "families," provides opportunity to exploit differences between these groups, just as law enforcement does with mafia families. Finally, Ms. Peters proposed the need for an extensive nation building effort that will provide the Afghan government with the capacity to fight the heroin trade and protect the farmers from Taliban intimidation without the continued presence of the Americans or NATO. While she recognized that nation building is always a controversial policy in the United States, she argued that the costs of constant intervention and/or keeping troops in the region may be greater than the costs of a nation building effort, even though the latter costs are concentrated over a shorter period of time and therefore seem to be greater.

Ms. Peters' talk is the first of a series of book discussions the CCO plans to host in the future. Stay tuned to the CCO portal <http://ccoportal.org/>, including the events calendar, for additional information.



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# **Pakistan – The Most Dangerous Place in the World**

**Dr. Larry P. Goodson**  
**United States Army War College**  
**July 2009**

[The following article was reprinted with permission of the *Strategic Studies Institute Newsletter*, U.S. Army War College. The views expressed in this op-ed are those of the author and do not necessarily reflect the official policy or position of the Department of the Army, the Department of Defense, or the U.S. Government. This opinion piece is cleared for public release; distribution is unlimited.]

Pakistan is the most dangerous foreign policy problem facing the United States for five major reasons. First, Pakistan is a nuclear country, with at least 60 nuclear war-heads (according to both journalistic and unclassified U.S. government (USG) sources), a regular supply of fissile material with which to make more, multiple delivery systems, and a history as a known proliferator. Pakistan developed nuclear weapons because of its long and bloody history with its bigger next-door neighbor, India, to which it has lost four major military conflicts since 1947. They have not squared off again since the Kargil Conflict of 1999, and the world holds its breath over their next spat.

Second, Pakistan has become the epicenter of Islamist extremism, and its militants and suicide bombers come from all over the world. They threaten Pakistan's domestic security, the U.S.-led effort to stabilize and rebuild Afghanistan, India and the broader region, and the wider world.

Third, Pakistan is a teeming Third World country of substantial poverty and underdevelopment, beset by moribund socioeconomic institutions and guided by feudal elites whose conception of modernity are often benighted. In terms of daily life, this translates for most Pakistanis into significant insecurity as they face crime and social decay, deteriorating household economic conditions, and corrupt government officials who prey on their misery. Upward mobility is a barren concept for many, only to be achieved by emigration.

Fourth, Pakistan's hopelessly ineffective government has little chance of fixing its domestic problems, saddled as it is with a crushing current accounts imbalance that threatens to topple the country's macroeconomic stability.

Fifth, some 80 percent of supplies for the U.S.-led military coalition in Afghanistan flow through or over Pakistani territory, which also serves as a base of operations for some of the anti-coalition fighters who attack the U.S. forces in Afghanistan. It is the confluence of all of these problems that makes Pakistan so dangerous, so significant, and so challenging for the U.S. Just as there are five major reasons for this, there are five significant factors that everyone needs to understand about the place.

The sixth-largest country in the world with a population of some 175 million people, Pakistan is a fragile polity that was constructed along ethnolinguistic lines. Originally Pakistan was founded to be a homeland for South Asia's Muslims, and thus it had an

Eastern Wing of Bengalis (which would become Bangladesh after the 1971 war that produced its independence) and a Western Wing (centered on the Punjab) that is present-day Pakistan. This country has four provinces, each built on a predominant ethnolinguistic group. The Punjab is the heart of the country, with more than 90 million people, two-thirds of whom are Punjabi, and many of whom are the country's business, military, and governmental elites. The southern Sindh province

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has 50 million people, with 60 percent being Sindhi. Pakistan's largest urban area, Karachi, is the Sindhi capital, containing some 20 million people, including most of the country's Urdu-speaking Muhajirs (refugees from the 1947 Partition with India). The other two provinces are the North-West Frontier Province (NWFP), with two-thirds of its 21 million people being Pashtun; and Balochistan, with its 10 million people almost equally divided between Baloch and Pashtuns. The Federally Administered Tribal Areas (FATA) lie between the NWFP and the Afghan border (and just north of Balochistan), and have a population of some 5.5 million, almost all of whom are Pashtuns. Pakistan has a federal republican system of government, at least when its constitution is in effect, but it is a fragile federalism.

Pakistan's huge population is also one of the world's fastest growing, which creates an enormous youth bulge that exacerbates the pressure felt by moribund social and economic institutions. With over 60 percent of its population under the age of 25, Pakistan struggles, even in good economic years, to keep the 24 to 40 percent of its population living in poverty from rising. High fuel prices combined with political instability to drive inflation over 25 percent in 2008, and the resultant capital flight, trade deficit, and currency devaluation caused the near default by Pakistan's government that prompted a \$7.6 billion IMF bailout in November 2008. Pakistan's massive macroeconomic crisis is surpassed only by the staggering microeconomic conditions of the nation's poor, whose often squalid living conditions are exacerbated by high rates of entrenched corruption, the world's largest population of heroin users (estimated at up to 5 million people), and increasing criminality and violence.

If these conditions were not problematical enough, Pakistan endures political pendulum swings that make the incessant finger-pointing between Democrats and Republicans sound like the kindergarten antics of cranky babies. In just over 60 years of independence, Pakistan has had five-and-a-half constitutions (counting the 8th and 17th Amendments to the current constitution as a half constitution), four periods of military rule, a civil war that led to a disastrous dismemberment, and at least four military defeats by India.

The civilian political institutions are badly underdeveloped and atrophied, while Pakistan has the seventh-largest military in the world dominated by an overweening Army whose secret budgets are never subject to parliamentary scrutiny. The military's role has gradually shifted over time to more of a praetorian state-building maintenance of its domestic position than a national security provider. Still, the massive military budgets made possible the development of a nuclear arsenal, which was announced to the world with a series of nuclear tests in 1998. Meanwhile, Pakistan's political elites have been notoriously kleptocratic and disconnected from average citizens, choosing to advance their interests through political parties that are nothing more than glorified patronage organizations.

A fourth factor is geopolitical, as Pakistan finds itself engaged in a 21st-century Great Game of epic proportions. It is dominated by its resented "Big Brother," India, from whom it was separated at birth, and with which it is engaged in an ongoing existential struggle, especially over the disputed area of Kashmir. Pakistan's most reliable ally on the world stage is China, which also appears hungry for its resources, most notably its large natural gas deposits in arid Balochistan. Through carrots rather than sticks, China appears to have achieved the fabled prize of a warm-water port that so shaped Imperial Russian geopolitical designs of an earlier age, as China essentially designed, built, and is the primary tenant of the port of Gwadar on the Arabian Sea.

The United States is Pakistan's far-away, fair-weather friend, locked in a decades-long transactional relationship that satisfies neither partner's desires. Pakistan is the dark side of the moon to the average American who cannot tell you one salient fact about the country, its people, their customs

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or history—nothing! So we use Pakistan as a bulwark against whatever goes boo in the night in that part of the world, paying their price of the moment, and then walking away when the crisis is resolved.

Now that a new Great Game has erupted, with the United States playing the role of Great Britain while a resurgent Russia and a rising China play the other great powers in a field crowded with lesser, but still significant, players like Iran, India, and Pakistan, transactional relationships have become more complex and harder to calculate correctly. All the players pursue their own interests, and the field spills out of Afghanistan and into neighboring areas such as Pakistan.

Finally, Americans must understand a few basics about the role Islam plays and does not play in Pakistan. Like Israel, Pakistan was founded to be a religious homeland, in this case for South Asia's Muslim community when British India was partitioned in 1947. The only problem is that Pakistan's predominantly Muslim population has never been able to agree on quite what role Islam should play there. Pakistan's Islam has been many things, all at once, to its people, influenced as it has been by the Islamic seminaries of northern India, the austere Sunni Salafism of the Arabian Peninsula, the Shia' seminaries of Iran and southern Iraq, the Sufi brotherhoods of Central Asia and the Middle East, and the syncretic melding of tribal codes of the mountains.

The unsettled status of Islam in Pakistani society played a big role in the delay in passing its first constitution and ultimately led to the rise of Islamization movements of varying intensity and success from the late 1950s onward. With the anti-Soviet Jihad in Afghanistan during the 1980s, Pakistan became the host of the world's largest refugee population and a frontline state against Soviet expansionism, all of which occurred while the broader Islamic World was undergoing a cultural war within. For Pakistan, this meant that the anti-Soviet mujahideen cast their resistance in religious terms, and, gradually, secular liberals were squeezed out of Afghan and Pashtun public space. Now that contest for the public space extends more and more into metropolitan Pakistan.

Understanding Pakistan's five factors may help us better understand Pakistan's five problems, but what about solutions? Unfortunately, few good solutions for Pakistan exist. Its declining socioeconomic conditions occur now in a society far less resilient than before the creation of its large youth bulge, burgeoning Islamist militants, or development of a large, quasi-modern, and nuclear-tipped military.

Three interconnected and equally important strategic strands must be interwoven in a deft and artful manner if the United States is to have any hope of success in Pakistan. First, it is imperative that Pakistan's immediate crises be averted; especially lowering the temperature with India, as well as forestalling widespread collapse of the economy. Particularly in regard to the latter factor, recent requests for emergency funds from Congress should be supported and the monies thereby disbursed, targeted to do the most obvious good possible. The U.S. relief effort following Pakistan's massive 2005 earthquake is instructive, as the good will it engendered was tangible and has proven enduring in the mountainous northern areas of the country. Second, we must establish and maintain a better transactional relationship in the medium term, since such a relationship will continue during the next few years. How do we achieve this? The truth is that the Pakistanis have more leverage over us than we do over them. We want them to do things for us that they view as inimical to their national interests. We offer little in return, and the Chinese loom in the background as an alternative, so it is difficult to have much leverage. Still, it is possible to target aid on the economic sector and to the poor in ways that can be measured, and we should do so. Finally, it is only possible for Pakistan to become a true strategic partner to the United States if it changes, as the United States is unlikely to

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tolerate as a partner a country that hosts terrorists and has limited resources, markets, or other things of value for which we are willing to put up with the negatives.

Beyond that, Pakistan needs to change for its own sake, as it seems headed toward a societal meltdown, state failure, and/or revolution if current conditions continue. Structural reforms are needed to long-standing political, economic, and social institutions so that Pakistan can have a healthier society. Such reforms will be strongly resisted by the very elites that are our current partners in the transactional relationship, but we must push the process of reform anyway because the cycle of transactional relationships has gotten progressively worse over time, and now Pakistan is a nuclear state facing revolution.

Above all, we must realize that the kind of change Pakistan needs cannot be wrought quickly. If we want a strategic partnership, we must prepare ourselves for an enduring relationship, which means that we must become interested in Pakistan, its neighborhood, and its problems. Perhaps that is our greatest challenge.

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# **Delay in Treaty Approval Frustrates United Kingdom Officials and United States Defense Industry**

**By  
Roxana Tiron  
*The Hill* Contributing Author**

[The following article originally appeared on *The Hill* web site located at: <http://thehill.com> on 07/08/09.]

Pressure is building on the Senate to ratify a treaty designed to bolster American and British military cooperation by removing red tape that critics say delays the transfer of defense technologies and products between the two countries. The Senate's inaction has frustrated leaders in the United Kingdom (U.K.) and spurred a strong lobbying push from the American defense and aerospace industry, which stands to benefit from the treaty. *The Defense Trade Cooperation Treaty*, signed in June 2007 by then-Prime Minister Tony Blair and President George Bush, was trumpeted as deal that would make joint U.S.-UK operations in Iraq and Afghanistan run more smoothly. The U.K. ratified the treaty in early 2008, but Congress has yet to act.

The United States already provides fast-track approval for arms-export applications from the U.K. but British officials and industry executives have long complained that each application license still takes weeks to approve.

The treaty would permit the export of specific U.S. defense equipment and services to the British government and to select British companies without U.S. export licenses or other prior approval. The treaty also would ensure the continuation of Britain's policy of not requiring a license for the export of U.K. defense equipment and services to the United States.

The treaty was expected to win easy passage in the Senate, which per the Constitution must ratify it. Instead, more than two years later, the Senate Foreign Relations Committee finds itself at odds with the DOS and Justice Departments as well as the industry supporters of the treaty.

The sticking point is that the Foreign Relations panel, chaired by Senator John Kerry (Democrat-Massachusetts), is considering adding language providing for additional oversight of the treaty implementation. The details of the legislation are unclear and are still a matter of debate within the committee.

The Obama Administration opposes any accompanying legislation, arguing that the Department of State (DOS) already has sufficient enforcement authority through the *Arms Export Control Act* to ensure that U.S. security interests and sensitive technologies don't fall into dangerous hands. But Kerry told *The Hill* that his panel is still considering additional legislation.

We are talking about implementation language with the DOS, Kerry said in a short interview. They are not convinced that we need it. We think that we do in order to pass [the treaty], and we are talking about that language.

However, Kerry added that he hoped the treaty would come up for a vote soon in the Senate. In a letter to Kerry on April 29, 2009, Secretary of State Hillary Rodham Clinton made her opposition to additional congressional interference clear.

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I believe that imposing, through either legislation or a resolution of advice and consent, further oversight requirements on implementation of the treaties would frustrate their purpose, Clinton wrote.

In the same letter, Clinton also committed to give Kerry's panel thirty days' prior notice of making a defense article eligible for export under the treaty, thirty days' prior notice of major procedural changes to the implementing arrangements as part of the treaty, immediate notification of major treaty violations, and an annual briefing and report on the implementation of the treaty. Without any additional legislation, the treaty could be ratified by a simple vote in the Senate. But new legislation would also require the approval of the House—which traditionally has been harder to convince that the United Kingdom should be given a special exception. With the clock ticking on the two-year treaty agreement, additional processes would add to the tension, according to sources.

"We are pushing to see this [treaty] ratified as quickly as possible," said Cord Sterling, Vice President of the Aerospace Industries Association, which has been advocating for the ratification of the treaty without any additional legislation. The treaty is self-executing, he said. "Legislation can always be complicated," he said, adding that the treaty and the existing administrative regulations already ensure that the technology will not end up in the hands of a third party outside of the U.S. and Britain. He also expressed some concern that legislation would be tied up in the House.

Whatever needs to be done, let's do it, because it is beginning to be a sore point between two good friends [the U.S. and UK]. It is becoming a point of contention, Senator Lindsey Graham (Republican-South Carolina), a member of the Armed Services Committee, told *The Hill*. I am ready to vote right now. This is the time to show your friends and your allies support, and it would mean a lot to our ally Great Britain. It's been sitting around way too long.

Senator Jim DeMint (Republican-South Carolina), a member of the Foreign Relations panel, has also been vocal about the need to ratify the treaty.

Gerald Howarth, the Defense Procurement Minister for the opposition party in the U.K., expressed frustration with Congress at the delay.

We've been pressing for this for two years, and it's a pretty poor show that Congress has failed to accord more support to its No. 1 ally, he said, according to the *Financial Times*. It sends the wrong signals, he added. The British government has been hugely supportive of the U.S. Government.

Australia, meanwhile, is also awaiting Senate ratification of a similar treaty.



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## France Hopes to Jumpstart Its Arms Sales with the New Iraqi Government

By  
Edward Cody

*The Washington Post* Foreign Service Contributing Author

[The following article is originally appeared in *The Washington Post*, July 4, 2009.]

France, which was an important weapons supplier to Saddam Hussein, has set out to revive its once-flourishing arms sales and training relationship with the new Iraqi government put in place by the United States. The effort has attracted attention because, under former President Jacques Chirac, France opposed the U.S. invasion of Iraq in 2003 and stayed aloof from the coalition of allies that assisted the United States during the bloody occupation that has followed.

At stake, specialists here said, are billions of dollars in potential arms sales and training contracts as the Iraqi military seeks to rebuild from the devastation wrought by United Nations (U.N.) sanctions and then by U.S. forces as they took over the country, destroyed Hussein's Sunni-led military establishment, and set up a new order dominated by the Shiite majority.

The United States, as the principal patron with advisers all around Baghdad, could be expected to get top priority in military and other sales as Prime Minister Nouri al-Maliki's government proceeds with the reconstruction, some of it financed by U.S. aid money. But French officials and military specialists said France is counting on a desire of Iraqi officials to diversify their weapons sources and a network of personal relationships established in the 1970s when Chirac as prime minister championed ties with Hussein that continued into the 1980s.

Saudi Arabia and the United Arab Emirates (U.A.E.), for instance, have been good customers for French military equipment despite extensive strategic ties with the United States and a long history of buying U.S. weaponry. In recent months, France has been pushing hard to sell the U.A.E. a fleet of sixty Rafale fighter planes, an advanced Dassault Aviation craft that so far has been bought only by the French military.

I think there is indeed a window of opportunity to sell non-American military equipment, said Jean-Pierre Maulny, a military expert at France's International and Strategic Relations Institute. I think the sentiment [among Iraqi officials] today is to not look like they're in the hands of the Americans only.

Maliki's government announced Thursday, during a visit by French Prime Minister François Fillon, that it has concluded a tentative military sales and training agreement with France. The announcement foresaw Iraqi visits to France and French experts training Iraqis. But it did not describe the extent of sales envisioned, the timetable, or the equipment the Iraqi military would consider shopping for in France.

The governments of Iraq and France . . . are looking forward to boosting a brilliant and permanent bilateral relationship and a desire from both sides to develop bilateral cooperation particularly in the arms field, the accord said.

So far, the French military sales effort has resulted in a \$500 million deal for 24 Eurocopter EC-635 light transport and reconnaissance helicopters. Next, according to reports in Paris, the French

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Defense Ministry has proposed selling and the Iraqi Defense Ministry has shown interest in acquiring eighteen modernized Mirage F1 warplanes and another batch of military helicopters.

In announcing the helicopter sales in March, Defense Minister Hervé Morin said a French military attaché would be stationed at the embassy in Baghdad beginning this summer to foster more military sales and training programs.

We want to return to the relations that France had until the 1980s, when a large part of the Iraqi army was trained in France and equipped with French military equipment, Morin added.

The Obama Administration has not taken a public stand on the proposed French military sales. But U.S. relations with France have warmed considerably since the advent of President Obama, who opposed the Bush Administration's Iraq war; and Washington has stressed the need for Maliki's government to assume sovereignty over the country as U.S. troops draw down.

In addition, President Nicolas Sarkozy has emphasized friendship with the United States. In that light, he has increased to 3,000 the number of French soldiers in Afghanistan and returned France to the North Atlantic Treaty Organization's (NATO's) integrated military command.

Moreover, the French military sales campaign is only one part of a broad pitch that includes proposals for large-scale civilian sales and French investment in Iraq's long-delayed reconstruction. These are goals advocated by U.S. officials as a way to get Iraq on its feet again.

Sarkozy visited Baghdad in February [2009] to promote French businesses; Maliki was received here in May [2009]. Fillon followed up with his one-day visit on Thursday, bringing along a team of senior French business leaders, including Christophe de Margerie of the French oil giant total.

Whatever the desire of Iraqi officials to buy French equipment, the military's ability to absorb, maintain, and operate modern weaponry remains limited, said François Heisbourg of the Foundation for Strategic Research in Paris. Any sales contract would probably have to include provisions for training and long-term maintenance, he said.

Special correspondent Zaid Sabah in Baghdad contributed to this report.

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## **With A400M Delayed, France Eyes C-130J Unlikely To Pursue C-17**

**By  
Pierre Tran**  
*Defense News Contributing Author*

[The following article was originally published 8 June 2009 on the *Defense News* web site, <http://www.defensenews.com>.]

The French Air Force, seeking a stopgap for the delayed A400M airlifter, is unenthusiastic about buying a small fleet of C-17s but is eyeing ways to get access to the C-130J, Air Chief Gen. Stéphane Abrial said. Abrial said the service is considering the Boeing C-17 but is loath to buy a small number of the four-engine jets.

For long range and large volumes, there is the C-17, which offers a lot of capability; but it's very expensive, Abrial said in an interview. As head of the Air Force, I would rather not have to create a micro fleet; and so we're looking at all the possibilities, such as acquiring with a partner, or a lease, or as part of the Strategic Airlift (SALIS) group of countries within North Atlantic Treaty Organization (NATO)]. We're talking a lot with the British.

France is among the seven nations that committed to develop and buy 180 A400Ms, which are larger than the C-130 but smaller than the C-17. But several of the countries are looking at their options in the face of problems, notably on the software that controls the plane's TP400 engines, which are delaying deliveries by three years.

France, which was to receive the first of its 50 A400Ms later this year [2009], is now looking for ways to improve tactical airlift capability to meet its military needs and preserve hard-won aircrew proficiency. Lockheed Martin's C-130J is the front-runner for a gap-filler aircraft.

There is no equivalent product in the tactical segment to the C-130J in the market today, Abrial said. We're studying the possibility of getting access to the C-130J, either through a new buy or leasing. Among the interim solutions are also buying secondhand aircraft or a service contract.

A French Air Force spokesman said there is "a preference for the C-130J because of its size, carrying capacity, and range." He said "ideally 12 or 15" aircraft were needed to form a squadron, and fewer than ten would not make economic sense because of the need for logistical support.

The Air Force flies fifteen of the older versions of the C-130 and also flies 47 EADS CASA [Spanish aircraft manufacturer] C-160 Transall transports. Service officials also would like to add two or three to top up its fleet of 19 C-235s, also by CASA.

The Air Force is eager to pick an interim plane since the A400M is expected to be three or four years late in delivery and a further two years are needed for the aircraft to enter operational service.

The situation is not critical, but it is delicate, the spokesman said. Decisions need to be taken quickly.

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Abrial said the service recently started precision airdrops in Afghanistan and is keen to provide full support to allied ground groups.

The spokesman said there was less need for strategic airlift. France typically participates in coalition operations under NATO, the United Nations, or the European Union flags and could ask for strategic transport from allies or lease Antonov or Ilyushin aircraft. A hypothetical fleet of two or three heavy transports would probably spend most of the time on the tarmac of a French air base.

French Ministry of Defense spokesman Laurent Teisser confirmed that the C-130J is one of the options under review. Other possibilities include speeding up procurement of the A330 multirole tanker transport (MRTT) to replace the C-135 tanker.

The British are also eyeing early use of A330, which is to enter service in 2011 as part of the Future Strategic Tanker Aircraft (FSTA) private finance initiative deal awarded to EADS last year, a company spokesman in London said.

Teisser said the decision will turn on operational needs, a “collective approach” with allies, availability of the aircraft selected, and compatibility with buying the A400M.

By “collective approach,” he meant discussing with the British government on how best to acquire the C-130J. The German Transall fleet still has plenty of operational life, and the other European forces are not as heavily engaged in Afghanistan as Britain and France.

The final decision will likely be [made] by French Defense Minister Hervé Morin, advised by an interministerial investment committee with recommendations from the Chief of the Defense Staff, Délégation Générale pour l’Armement (DGA) procurement office, and the Air Force.

If there is disagreement or need for political cover, it may go to the Office of the Prime Minister or the President, given the political significance.

A Lockheed spokesman said the firm has offered to supply C-130s to virtually all of the A400M partners. James Grant, Lockheed’s Vice President for Customer Engagement for Air Mobility and Special Operations Programs, said the company has proposed five or ten C-130Js and other options to the British Royal Air Force [RAF]. “We have and are having dialogue with the RAF,” he said. Grant added that Lockheed is ready to offer purchase and lease-related acquisition of the C-130J to the French. If Britain and France both bought C-130Js, it could yield logistical benefits, he said. The British already operate K- and J-models. The Ks, which have seen extensive use by special forces, are to be retired as the A400M enters service.

The spokesman said the British have received pricing and availability for new J-model aircraft, and the company had also been involved informally in a dialogue about potential options for revamping the K-model variants. A source familiar with the talks said a key issue for the Europeans right now is availability of early production slots on the busy Lockheed assembly line.

### **Trading Delivery Slots?**

One answer might be for the U.S. military to swap out some of their slots to give the U.K. and others the delivery dates they require, he said. It’s a tactic that’s been used several times in recent years on armored vehicles and unmanned air vehicles to help out the British. The Lockheed spokesman said the company was already doubling annual C-130J production to 24 aircraft by 2010 and that the assembly line could be expanded to build as many as 36 a year if required.

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Robbin Laird, Director of Consultancy ICSA, [a defense industrial analysis and strategic assessments firm] based [in Paris] and in Washington, said, “What makes the C-130J interesting is the multi-mission option. The aircraft has a coast guard and ISR [intelligence, surveillance, and reconnaissance] variant, which makes it a useful interim aircraft but also a potential long-term complement to the A400M.”

Lockheed is marketing the J model as a multi-mission platform, with capabilities for special operations and ISR, using a system of roll-on, roll-off pallets. For instance, the company is working with the U.S. Marine Corps on putting an ISR capability on a KC-130J tanker. A gunship application is expected in the future. The firm hopes this flexibility will persuade the French government to continue to operate the aircraft even after the A400M has entered service.

Jean-Pierre Maulny, Deputy Director of think-tank Institute des Relations Internationales et Stratégiques, said a French acquisition of the C-130J would be logical.

The Air Force already uses the C-130; the Transalls are out of breath; and when the Transall is retired, there will be a big capacity gap, Maulny said.

Maintenance and support needs mean a fairly large interim fleet would be needed to amortize the costs, he said. Moreover, A400M deliveries are to be stretched out over ten years. The British have also been discussing adding one or two C-17s to their small fleet if the money can be squeezed from the Defence Ministry’s crisis-hit budget. Those conversations are not directly related to A400M delivery problems.

### **A400M Rescue**

Meanwhile, the A400M partners—Belgium, Britain, France, Germany, Luxembourg, Spain, and Turkey—are in crisis talks with Airbus over a possible rescue plan for the much-delayed aircraft. Their contract allowed them to walk away from the program in March 2009, but the two sides introduced a three-month standstill to allow the terms and delivery schedule to be renegotiated. The moratorium ends [ended] on June 30, 2009. Even if a way ahead is agreed upon, Airbus Military Boss Domingo Urena told reporters recently a detailed agreement will likely take until year’s end.

Airbus admits the aircraft is seven tons overweight and is suffering from a number of technical issues including problems relating to the certification of the giant TP400 turboprop engines.

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# EDUCATION AND TRAINING

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## The Peace Corps Model of Building Partner Capacity

By

**Lieutenant Colonel E. John Teichert, USAF**

**Director of Operations for the 411th Flight Test Squadron**

Life in the Peace Corps will not be easy. There will be no salary, and allowances will be at a level sufficient only to maintain health and meet basic needs. Men and women will be expected to work and live alongside the nationals of the country in which they are stationed—doing the same work, eating the same food, talking the same language. But, if the life will not be easy, it will be rich and satisfying. For every young American who participates in the Peace Corps—who works in a foreign land—will know that he or she is sharing in the great common task of bringing to man that decent way of life which is the foundation of freedom and a condition of peace.

President John F. Kennedy

Previous article in *The DISAM Journal* [Volume 31-2] detailed the potential benefits of programs to build partner capacity and have compared the potential to the reality of such programs. This article examines the first of three analogous organizations using a comparative case study approach. This first case study explores the Peace Corps, a program designed to assist developing nations in creating sustainable development. As a U.S. Government (USG) agency, it demonstrates that strong relationships are possible even when acting as an agent of the USG. The second organization, Baptist International Missions, Incorporated (BIMI), is a large independent missionary organization. It provides the perspective of a religious non-governmental organization (NGO) that builds relationships with people who often demonstrate hostility toward the organization's objectives and message. The last organization, Medecins Sans Frontieres (MSF), is an international NGO that supplies medical assistance to populations whose local health structures are insufficient due to conflict or turmoil.<sup>1</sup> This large foreign organization funnels resources to meet pressing international medical needs and strives to create a lasting impact through temporary measures.

All three organizations have successfully built relationships, strengthened host nation capabilities, and met their objectives in resource-constrained environments. Despite their differences, the primary purpose of each organization is to create lasting self-sufficiency within host nations. The Peace Corps calls their version of building partnership capacity “sustained development,” whereas BIMI labels their activities as ‘building indigenous churches.’ MSF, in turn, labels their version of building partner capacity as ‘building health care structures.’ While these organizations use different terms, their fundamental aims are the same and are analogous to those of U.S. military programs—to build partner capacity. Clearly the case study organizations operate through different structures, environments, and conditions than military organizations. Yet, their programs can illuminate important functional similarities that can improve military programs with the same ultimate aim.

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1. MSF is also known as Doctors without Borders.



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These organizations were chosen based on their similar objectives to military programs to build partnership capacity and their ability to illuminate characteristics of both security cooperation and foreign internal defense (FID). All are large organizations that strive to achieve objectives in challenging international environments. Each organization faces significant obstacles and integrates with others when appropriate. All are concerned about the safety and security of their personnel.<sup>2</sup> MSF is slightly different from the other organizations in that it emphasizes short-term responsiveness instead of long-term engagement, making its activities more analogous to FID, while the programs of BIMJ and the Peace Corps are more analogous to security cooperation. Organizational documents, manuals, directives, training plans, and personnel of each organization reveal interesting parallels to American military attempts to develop relationships and build partner capacity.

With these case study characteristics in mind, this avenue of inquiry compares current programs to build military partnership capacity to the successful programs of the case study organizations. Assessment through the lenses of these outside agencies is used to illuminate functional similarities that can reveal needed changes in military programs with international engagement aims. The final article in this series will explicitly explore the direct applicability of these case study lessons to military building partner capacity efforts.

This series of articles does not presume to contain all of the solutions necessary to form successful programs to build partner capacity by analyzing a few case studies with missions far different than the U.S. military. With a complex international environment comes challenging interconnections between actors and conditions, and such complexity should never be ignored. However, analogous lessons must not be completely dismissed just because case study organizations are different at first glance from the U.S. military. This is especially true if these organizations have demonstrated success and potentially hold explanatory power that can generate important insight.

The Peace Corps is the first example of an organization designed for international engagement and is the object of this article. Even though it is part of a large, USG bureaucracy, the Peace Corps strives to meet President Kennedy's vision by empowering and equipping individual volunteers to make local impacts. Focusing on sustainable development, the Peace Corps' long-term presence is analogous to security cooperation activities. The comparative analysis that follows reveals organizational characteristics that may be applied to military programs with the same ultimate aim.

## **Background**

The Peace Corps was founded by President John F. Kennedy on March 1, 1961 through Executive Order 10924 to have an international impact. In its first year, the organization commissioned 3,699 Peace Corps volunteers (PCVs) and operated on a budget of \$30 million.<sup>3</sup> In the nearly five decades since its inception, the Peace Corps has sent over 190,000 PCVs to 139 nations around the world.<sup>4</sup> These volunteers have interacted with countless people and have performed international projects to improve education, health, productivity, environmental conditions, economic development, and agriculture. Currently, the Peace Corps boasts over 8,000 of its American volunteers stationed

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2. None of the organizations would fully share statistics about violence. The hesitancy about sharing violence statistics is presumably because of fears that such revelations would hinder recruiting.

3. "Peace Corps Congressional Budget Justification" (Peace Corps, 2008), 21.

4. "Peace Corps Fact Sheet 2008" (Peace Corps, 2008).

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abroad and incorporated into the fabric of 74 foreign nations.<sup>5</sup> It currently operates on a budget of \$330 million.<sup>6</sup> Volunteers continue to build relationships, strengthen communities, and encourage self-sufficiency.

The Peace Corps mission and objectives have remained unchanged since its inception. Its mission is “to promote world peace and friendship;”<sup>7</sup> and objectives corresponding to this mission are to:

- Help the people of interested countries in meeting their need for trained men and women
- Help promote a better understanding of Americans on the part of the peoples served
- Help promote a better understanding of other peoples on the part of Americans<sup>8</sup>

The Peace Corps believes that it is achieving these objectives and that the organization remains ‘relevant, vital, and strong.’<sup>9</sup> Peace Corps Director Ronald Tschetter claims that “volunteers earn respect and admiration for the [United States] among people who may never have met an American;” he contends that the Peace Corps “is admired and recognized around the globe.”<sup>10</sup> In 2007, the Peace Corps assisted nearly 2.5 million people and trained over 150,000 host nation service providers;<sup>11</sup> 95 percent of Peace Corps volunteers believe that they “helped host country nationals gain a better understanding of the United States and its people.”<sup>12</sup> These statistics suggest that the Peace Corps may indeed be having the impact for which it was created.

### **Command and Control**

The Peace Corps is a large, independent agency within the U.S. Executive Branch. As an organization, it manages thousands of volunteers by selecting them, training them, placing them within a community in the host nation, and partially funding their projects. In addition, “the Peace Corps staff regularly interacts with [volunteers] to provide project guidance, medical care, safety updates, and general oversight.”<sup>13</sup> In addition to its substantial network of volunteers, the Peace Corps employs a full-time staff of approximately 1,000 and a contractor force of about 2,000.<sup>14</sup> Yet, Peace Corps leaders believe that their volunteers are the heart of the organization.

The Peace Corps operates in a highly decentralized fashion, structured largely to empower its volunteers and allow them to thrive in their local communities. Thus, PCVs are only loosely guided by the Peace Corps organization because individual volunteers are considered the most capable vehicle to build relationships and make appropriate decisions based on their understanding of local situations. As an organization, the Peace Corps is composed of domestic and foreign structures to ultimately provide the best resources and capabilities to its volunteers.

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5. “The Peace Corps Performance and Accountability Report” (Peace Corps, 2007), 10.

6. “The Peace Corps Performance and Accountability Report,” 10, Introduction.

7. “Peace Corps Congressional Budget Justification,” 2.

8. “Peace Corps Congressional Budget Justification,” 3.

9. “Peace Corps Congressional Budget Justification,” Introduction.

10. “Peace Corps Congressional Budget Justification,” Introduction.

11. “The Peace Corps Performance and Accountability Report,” 27.

12. “The Peace Corps Performance and Accountability Report,” 27.

13. “Peace Corps Report to the U.S. Senate: Peace Corps Volunteer Safety and Security (Part 1)” (Peace Corps, 2004), 19.

14. “The Peace Corps Performance and Accountability Report,” 15.

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The domestic Peace Corps structure is primarily responsible for the macroscopic operation of the organization. The role of the domestic organization is to secure funding, manage resources, initiate recruiting, handle legal concerns, distribute manpower to the international community, direct domestic programs, and facilitate the volunteer selection process.<sup>15</sup> Additionally, domestic leaders create strategic objectives and assess them based on a close-of-service survey at the end of each volunteer's tour. The Peace Corps Director is appointed by the President of the United States and manages the staff to guide the organization in the proper strategic direction. The domestic structure includes three Regional Directors (Europe, Mediterranean, and Asia region; Inter-America and the Pacific region; and the Africa region) with country desks assigned to each Regional Director to provide direction and liaison from the Peace Corps' domestic organizational structure to the Country Director's staff.<sup>16</sup>

The Country Director leads the foreign Peace Corps contingent for each nation and manages a permanent medical, programming, training, and administration staff.<sup>17</sup> Much of the staff is composed of host country nationals.<sup>18</sup> Of those on staff who are U.S. citizens, a large portion is made up of former volunteers.<sup>19</sup> The Country Director's staff sets its own strategy, defines the general roles of volunteers, and establishes broad objectives. However, the Peace Corps does not give specific objectives to their volunteers, instead allowing them to shape their own programs.<sup>20</sup> Program Managers work directly for the Country Director and are the supervisors of each volunteer, orchestrating volunteer training, placing volunteers in communities within the host nation, and receiving volunteer quarterly reports. Program Managers also run in-service training programs for their assigned volunteers every six months.<sup>21</sup> These programs educate volunteers through recurrent training and provide a unity of effort for the Peace Corps programs through shared direction and strategy. These programs also allow volunteers opportunities to network with each other and share successful practices. Such periodic interaction among the volunteers also enables the Country Director's staff to better understand the prevailing national situation in order to shape overall strategy, training programs, and placement initiatives.

Peace Corps volunteers are typically dispersed throughout a nation; so adequate communication networks are critical for safety, security, and accountability. Volunteers are free to contact their supervisors as often as needed but are only required to submit quarterly reports to provide updates on their progress. Radios, cellular phones, and satellite phones are distributed among the volunteers as avenues of communication. Tests are occasionally conducted to account for every volunteer, and 100 percent accountability is the standard.<sup>22</sup> Volunteers are expected to keep the Program Managers updated when they are away from their community post for business or leave. Within a host nation, there is also an effective informal communication network among volunteers and the country staff that helps them all remain connected and updated on progress.<sup>23</sup>

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15. "Peace Corps Congressional Budget Justification," 20. The Peace Corps domestic staff determines the allocation of volunteers based on many factors including safety, security, developmental needs, historical presence, and via input by other U.S. agencies including U.S. Agency for International Development (USAID) and the State Department

16. Debbie Curley (Regional Recruiter, Peace Corps), interview by the author, 29 January 2008. Debbie Curley served as a PCV in Cameroon from 1994-96.

17. "Peace Corps Manual" (Peace Corps, 2007). From the Peace Corps Act paragraph 2.2.

18. Chuck Needlman (Overseas Staff Development Specialist, Peace Corps), interview by author, 2 April 2008. Chuck Needlman was a PCV in Liberia from 1975-77.

19. Curley, interview.

20. Curley, interview.

21. Curley, interview.

22. "Peace Corps Report to the U.S. Senate: Peace Corps Volunteer Safety and Security (Part 1)," 17.

23. Curley, interview.

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Volunteer leaders are also an important part of this communication network. These leaders are typically experienced PCVs who have volunteered to stay in-country for an extended period of time. Volunteer leaders are “first and foremost volunteers,” but they take upon themselves additional responsibilities within the Peace Corps’ foreign organization based on their high level of experience.<sup>24</sup> They do not have supervisory authority over other volunteers; but instead volunteer leaders provide guidance, direction, and advice and help with administrative duties, logistical tasks, and counseling. Volunteer leaders also keep the Country Director’s staff updated on conditions within the host nation.<sup>25</sup>

Host nations request Peace Corps assistance, and this is the basis for Peace Corps presence in a particular nation.<sup>26</sup> The host nation also provides staff members, funded by the Peace Corps, who work with the Country Director to provide greater local knowledge and to properly integrate with host nation programs. The Peace Corps also believes that the training and experience of these personnel can further self-sufficiency and sustainable development.<sup>27</sup> This host nation staff receives in-country training and also participates in a month of training in the United States to enhance their capabilities for service in the Peace Corps and beyond.<sup>28</sup> Each volunteer also works closely with a host nation counterpart in their community. This individual is considered the volunteer’s on-site supervisor even though most host nation counterparts consider themselves partners with the volunteers.<sup>29</sup> The host nation liaison helps introduce the volunteers to the community, assists volunteers with language skills, and gives volunteers local credibility. The cultural knowledge of host nation counterparts and their understanding of the governmental system make them an important aspect of the Peace Corps program. Volunteers frequently cite their relationships with their host nation counterparts as a critical component of their ability to successfully contribute during their tenure in a host nation.<sup>30</sup>

Peace Corps programs also integrate closely with other programs when necessary. As part of the ambassador’s country team, the Country Director strives to be a unified component of the country team efforts.<sup>31</sup> Some NGOs develop formal relationships with the Peace Corps to integrate their efforts as well.<sup>32</sup> In addition, the Peace Corps does not discourage volunteers from developing their own relationships with NGOs and inter-governmental organizations (IGOs) as long as these relationships are relevant to volunteer projects.<sup>33</sup> As a result, Peace Corps volunteers see their community work as “very collaborative.”<sup>34</sup>

A reactive part of the Peace Corps structure is Peace Corps Response.<sup>35</sup> This program sends volunteers who have completed their service back to countries to provide humanitarian assistance, HIV/AIDS healthcare, disaster preparedness and mitigation, and natural disaster and post-conflict

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24. “Peace Corps Manual,” From the *Peace Corps Act* paragraph 3.1.

25. “Peace Corps Manual,” From the *Peace Corps Act* paragraph 3.2.

26. “Peace Corps Report to the U.S. Senate: Peace Corps Volunteer Safety and Security (Part 1),” 19.

27. Cathy Rulon (Chief of Operations for the Inter-America and Pacific Region, Peace Corps), telephone interview by the author, 1 April 2008.

28. Rulon, interview.

29. “Peace Corps Report to the U.S. Senate: Peace Corps Volunteer Safety and Security (Part 1),” 19. Curley, interview.

30. Curley, interview.

31. “Peace Corps Congressional Budget Justification,” 24. The Peace Corps headquarters is often separate from the embassy to maintain a sense of independence in the eyes of the host nation population. Andrew L. Steigman, *The Foreign Service of the United States: First Line of Defense* (Boulder, CO: West View Press, 1985), 168.

32. Curley, interview.

33. Dillon Banerjee, *So, You Want to Join the Peace Corps: What to Know before You Go* (Berkeley, CA: Ten Speed Press, 2000), 100. Dillon Banerjee was a PCV in Cameroon from 1994 to 1996.

34. Curley, interview.

35. Peace Corps Response was formerly known as the Crisis Corps.

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relief and reconstruction. Peace Corps Response is centrally run by the Peace Corps Director and throughout its history has sent over 1,000 volunteers to over 40 nations. Peace Corps Response uses returned PCVs who have indicated a willingness to return for short trips of up to six months and who already have relevant language, technical, and cross-cultural skills. Peace Corps Response teams strive to make an immediate impact as they arrive in the host nation because team members are already trained and experienced.<sup>36</sup>

The Peace Corps places volunteer safety and security as the agency's highest priority and has developed its structures to protect volunteers.<sup>37</sup> Peace Corps policy states that "safety and security is the personal and collective responsibility of all Peace Corps" members.<sup>38</sup> As a result, safety preparation and training are integrated throughout the organization; it is a substantial part of the Peace Corps training, placement, and integration efforts.<sup>39</sup> Volunteer placement is done in conjunction with the embassy's diplomatic security and regional security offices. The Peace Corps also works closely with the DOS Department, USAID, IGOs, and NGOs to gather the best information about specific threats and security issues.<sup>40</sup> Peace Corps leaders believe that volunteers are best provided safety by integrating them into their community where they are protected by multiple layers of support. In fact, volunteers are often placed alone in a community without the presence of another volunteer to avoid clustering, which Peace Corps leaders believe would actually put them at greater risk.<sup>41</sup>

Peace Corps statements contend that the organization is adequately structured to balance safety and security concerns with Peace Corps objectives, and statistics indicate that volunteers agree.<sup>42</sup> In fact, 96 percent of volunteers have reported that the safety and security portion of their training was adequate.<sup>43</sup> Furthermore, 90 percent reported that they were satisfied with the safety and security support from the Peace Corps staff;<sup>44</sup> and over 97 percent felt safe where they lived and worked during their time in the host nation.<sup>45</sup> Actual assaults against PCVs are fairly low. Statistics indicate that around 5.3 percent of PCVs experience some form of assault while in the host nation, compared with 3.5 percent of Americans within the same age group in the United States.<sup>46</sup> So while safety is a concern for Peace Corps leadership, they feel that the actual risk is minimal.

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36. "Peace Corps Congressional Budget Justification," 31.

37. "The Peace Corps Performance and Accountability Report," 11.

38. "Peace Corps Report to the U.S. Senate: Peace Corps Volunteer Safety and Security (Part 1)," 4.

39. "Peace Corps Report to the U.S. Senate: Peace Corps Volunteer Safety and Security (Part 1)," 9.

40. "Peace Corps Report to the U.S. Senate: Peace Corps Volunteer Safety and Security (Part 1)," 25.

41. "Peace Corps Report to the U.S. Senate: Peace Corps Volunteer Safety and Security (Part 1)," 18.

42. "Peace Corps Report to the U.S. Senate: Peace Corps Volunteer Safety and Security (Part 1)," 24.

43. "The Peace Corps Performance and Accountability Report," 31. Rated as adequate, effective, or very effective.

44. "The Peace Corps Performance and Accountability Report," 31. Rated as somewhat, considerably, or completely.

45. "Peace Corps Report to the U.S. Senate: Peace Corps Volunteer Safety and Security (Part 1)," 23.

46. "Peace Corps Report to the U.S. Senate: Peace Corps Volunteer Safety and Security (Part 1)," 20. Between 1997 and 2002, there were 223 reported major sexual assaults and 286 reported minor sexual assaults on volunteers. Additionally, there were 662 reported major physical assaults and 514 reported minor physical assaults. Violent crimes are added together and divided by five to give an annual crime total. This value is then compared with 6,298 volunteers on average during that period at any given time ("Peace Corps Congressional Budget Justification," 21), and the result is a violent crime rate of 5.3 percent. The median Peace Corps volunteer age is 25. Comparing U.S. crimes of violence from the U.S. Department of Justice for 20-35 year olds gives a value of 3.5 percent. Department of Justice, "Criminal Victimization in the United States, 2005 Statistical Tables," <http://www.ojp.usdoj.gov/bjs/pub/pdf/cvus05.pdf> (accessed 1 May 2008), Table 3.



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## Selection and Training

Peace Corps leaders use the application and selection process to maintain the organizational character. Over 100,000 people a year contact the Peace Corps to inquire about volunteer opportunities, and the organization selects around 4,000 to be PCVs.<sup>47</sup> The Peace Corps has only two basic criteria for its volunteers:

- They must be U.S. citizens
- They must be at least 18 years of age<sup>48</sup>

A college degree is highly desired, with 95 percent of PCVs having at least this level of education, but is not required.<sup>49</sup> The most important characteristics Peace Corps recruiters look for are:

- Motivation and commitment
- Productive competence
- Emotional maturity
- Cultural sensitivity<sup>50</sup>

The application process helps the Peace Corps select appropriate volunteers, and the training process refines these characteristics to create productive Peace Corps representatives.

The Peace Corps application process takes about nine months on average, from the submission of the application until selected volunteers arrive in their designated country.<sup>51</sup> There is no application timeline, and volunteers are selected on a rolling basis to maintain a constant flow of incoming volunteers. Peace Corps employees screen applications, select potential volunteers for interviews, and perform interviews. Applicants who are selected after the interviews then undergo a medical screening to make sure they are healthy enough to serve their 27-month term in the host nation. Selected volunteers are chosen to serve in a particular country and in one of the Peace Corps general areas:

- Education
- Youth outreach, and community development
- Business development
- Environment
- Agriculture
- Health
- Human immunodeficiency Virus (HIV/AIDS)
- Information technology<sup>52</sup>

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47. "Peace Corps Congressional Budget Justification," viii, 21.

48. Peace Corps, "About the Peace Corps: How Do I Become a Volunteer? Am I Qualified?" <http://www.peacecorps.gov/index.cfm?shell=learn.howvol.qualify> (accessed 29 January 2008).

49. "Peace Corps Fact Sheet 2008."

50. Curley, interview.

51. Peace Corps, "About the Peace Corps: How Do I Become a Volunteer? Top Questions," <http://www.peacecorps.gov/index.cfm?shell=learn.howvol.topques> (accessed 29 January 2008).

52. Peace Corps, "About the Peace Corps: What Do Volunteers Do?" <http://www.peacecorps.gov/index.cfm?shell=learn.whatvol> (accessed 29 January 2008). Applicants can request assignment to a particular nation, but the needs of the Peace Corps trump these requests.

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These volunteers are then ready to begin their Peace Corps training.

Volunteer training occurs in two major phases. In the first phase, PCVs undergo a two-day orientation training called staging prior to leaving for their host nation. This short training period focuses almost solely on safety, security, and personal responsibility and gives volunteers a glimpse of what to expect in the host nation.<sup>53</sup> Following this brief orientation, volunteers travel to their designated host nation to undergo the second phase of training, two-to-three months of intensive onsite pre-service training.<sup>54</sup> This training allows volunteers to immediately begin their cultural understanding and language preparation and is credited by many volunteers with the success of the Peace Corps programs as a whole.<sup>55</sup> In fact, 92 percent of PCVs have stated that this training program properly prepared them to meet the challenges of Peace Corps service.<sup>56</sup>

Pre-service training occupies six-days-a-week and is considered “interactive, participatory, and hands-on.”<sup>57</sup> This program consists of technical training; health, hygiene, and safety preparation; language training; and cultural appreciation.<sup>58</sup> Language training is based on immersion from the outset, with volunteers learning in small groups at a similar pace. During the training period, volunteers live with a host family to further language and cultural lessons.<sup>59</sup> PCVs believe that this aspect of the preparation is an “integral part of training.”<sup>60</sup> At the end of training, PCVs are able to volunteer for a particular location to serve within the host nation, once they have a better appreciation for the needs of a nation and the various projects they can expect. The Peace Corps takes these requests into consideration, as they do with the initial country choice to begin with, but ultimately places volunteers where their skills are most needed. Overall, 86 percent of surveyed volunteers stated that their assignment matched their indicated skills and interests.<sup>61</sup> Married volunteers, who comprise seven percent of the volunteer population, are placed together; but the Peace Corps does not do so for other volunteers.<sup>62</sup> Following the training period, volunteers are sworn in as official Peace Corps representatives and are then transferred to their community to begin their two-year tour.

### **Progression of Service**

Volunteers arrive in their designated community after training with a charter to design, create, and execute a developmental project. PCVs spend their first several months focused on acclimatization and assessing the needs of the community to determine an appropriate project. Projects are discerned based on volunteer experience, assessment, community consultation, and host nation counterpart guidance. Volunteers are responsible for selecting, planning, and executing their projects; they also secure project funding, labor, and supplies. These resources come through a variety of methods

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53. Curley, interview. Elizabeth Erickson (Training Specialist, Peace Corps), interview by the author, 2 April 2008. Elizabeth Erickson served as a PCV in Morocco from 1998-2000.

54. Banerjee, *So, You Want to Join the Peace Corps*, 28.

55. Curley, interview.

56. “The Peace Corps Performance and Accountability Report,” 30.

57. Banerjee, *So, You Want to Join the Peace Corps*, 30.

58. Banerjee, *So, You Want to Join the Peace Corps*, 30.

59. Curley, interview.

60. Banerjee, *So, You Want to Join the Peace Corps*, 30.

61. “Peace Corps Report to the U.S. Senate: Peace Corps Volunteer Safety and Security (Part 1),” 16.

62. “Peace Corps Fact Sheet 2008.” “About the Peace Corps: How Do I Become a Volunteer? Top Questions.” PCVs are distributed within a nation to meet the host country’s needs, with 81 percent of volunteers within two hours of the nearest volunteer. “Peace Corps Report to the U.S. Senate: Peace Corps Volunteer Safety and Security (Part 1),” 20. The Peace Corps secures housing in the communities designated for volunteers to eliminate that as a cause for concern.

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including: Peace Corps grants, Private Sector Initiatives, host nation government allocations, NGO support, IGO involvement, and community funding.<sup>63</sup> Volunteers also create web sites to gather monetary support and are encouraged to be creative in order to complete their projects by the time their tour is finished.<sup>64</sup>

The Peace Corps uses established programs to assist their volunteers upon their return to America and to assess the organizational programs to determine effectiveness. Career centers are located in the Peace Corps regional offices to provide volunteers “relevant educational and job-search materials and services.”<sup>65</sup> These career centers also offer hotlines, newsletters, and educational opportunities to integrate volunteers back into the United States. Each volunteer also participates in a close-of-service conference to elicit feedback to improve Peace Corps service in pursuit of its objectives and to benefit future volunteers.<sup>66</sup>

### **Emphasis on Volunteer Independence**

The Peace Corps gives its volunteers an unusual amount of autonomy in their communities. Once volunteers complete their training, the Peace Corps sees its organizational role as providing advice and guidance if solicited by the volunteer but for the most part allows the volunteers to manage their own projects independently and does not provide active supervision.<sup>67</sup> The Peace Corps remains available for technical and logistical assistance, and volunteers consider their parent organization a good resource. Volunteers are not given specific objectives or job descriptions, are placed alone in a community apart from other volunteers, and are free to assess and respond to the situations they face on their own.<sup>68</sup> Peace Corps supervisors rarely go out to check on the volunteers in the field.<sup>69</sup> Dillon Banerjee, a former PCV, has stated that “once you get to your village, you have a degree of independence that few other jobs offer. You can be as proactive or inactive as you want. You have the opportunity and authority to design, implement, manage, and monitor entire programs with little, if any, intervention from the Peace Corps office.”<sup>70</sup> Peace Corps leaders are comfortable providing such independence because they believe they have selected and trained volunteers who are motivated and capable of living up to the trust given to them and that this independence best achieves organizational objectives.<sup>71</sup>

Peace Corps leaders firmly believe in the benefits of volunteer independence, stating that to closely link volunteers with the organization or each other would be “at cross-purposes with the mission of the Peace Corps”<sup>72</sup> because PCVs have superior local knowledge that allows them the best perspective to develop their own projects.<sup>73</sup> There are several distinct advantages to volunteer

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63. Curley, interview. “Peace Corps Congressional Budget Justification,” 19, 39.

64. Curley, interview. If needed and approved, volunteers can opt to stay a few extra months in the host nation to complete their projects.

65. “Peace Corps Congressional Budget Justification,” 44. There are 11 such regional offices.

66. The Peace Corps recently established the Office of Strategic Information, Research, and Planning to further assess effectiveness, establish strategy, and improve effectiveness. “The Peace Corps Performance and Accountability Report,” 11.

67. Curley, interview.

68. Curley, interview.

69. Curley, interview.

70. Banerjee, *So, You Want to Join the Peace Corps*, 99.

71. Erickson, interview.

72. “Peace Corps Report to the U.S. Senate: Peace Corps Volunteer Safety and Security (Part 1),” 18.

73. Erickson, interview.

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independence according to Peace Corps leaders. Independence allows volunteers an enriching and meaningful experience of personal growth in which they were able to make a difference in their communities largely based on their own efforts.<sup>74</sup> Volunteer ownership of local projects gives them demonstrative proof of the impact they had in their community at the end of their two-year stay. This same independence allows volunteers to better build relationships and integrate more fully in the culture because volunteers cannot seclude themselves from locals by relying on fellowship with other Americans who could draw them away from a community focus. Finally, because each project is independently run by a volunteer, the community has no expectation that there will be follow on assistance at the end of the volunteer's two-year term. Peace Corps leaders believe that this community mindset enhances community involvement in the project and improves their self-sufficiency.<sup>75</sup>

### **Emphasis on Cultural Integration**

Peace Corps leaders consider integration into the local culture and community core value, and the organization has shaped programs with an eye toward successful integration in order to achieve its second and third strategic objectives.<sup>76</sup> Statistics indicate that volunteers feel they are able to achieve such integration. For example, 91 percent of surveyed volunteers believed they were able to embrace the local culture and integrate into the community.<sup>77</sup> Furthermore, 93 percent of volunteers believe that their preparation allowed them to understand and integrate into their local culture; and 95 percent of volunteers have reported "that they have helped host country nationals gain a better understanding of the United States and its people."<sup>78</sup>

Several aspects of the Peace Corps programs allow its volunteers to understand, appreciate, and assimilate into the local culture. First, the Peace Corps has been invited into the nations and communities in which volunteers serve. This gives their organization a level of credibility and acceptance with the local population. In addition, the selection process seeks volunteers who are culturally sensitive; and its training program further emphasizes cultural and language lessons.<sup>79</sup> In fact, the majority of training is focused on these aspects of the Peace Corps mission. The Peace Corps credits the program to house its volunteer trainees with host-nation families as a major reason why it is able to produce culturally aware volunteers. Furthermore, two of the three general training graduation requirements mandate that volunteers must be knowledgeable about the language, local culture, and history.<sup>80</sup> Once volunteers leave for their communities, host nation counterparts give them further credibility in the eyes of the local population and help volunteers develop a support network within which to develop relationships and manage projects. Furthermore, "a volunteer integrates into the community by living every day at the level of the locals, establishing friendships, patronizing merchants, and through other social interaction."<sup>81</sup> Peace Corps leadership believes that these integration efforts are greatly respected by the host nation population.<sup>82</sup>

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74. Erickson, interview.

75. Curley, interview.

76. "Peace Corps Report to the U.S. Senate: Peace Corps Volunteer Safety and Security (Part 1)," 20. "Peace Corps Congressional Budget Justification," 3.

77. "Peace Corps Report to the U.S. Senate: Peace Corps Volunteer Safety and Security (Part 1)," 23. Rated as adequate, well, or very well.

78. "The Peace Corps Performance and Accountability Report," 36, 27.

79. Erickson, interview.

80. "Peace Corps Manual." From the Peace Corps Act paragraph 305.4. *Peace Corps Volunteer Handbook* (Washington, DC: Peace Corps, 2006), 37.

81. "Peace Corps Report to the U.S. Senate: Peace Corps Volunteer Safety and Security (Part 1)," 19. The Peace Corps pays its volunteers a wage that allows them to live comfortably "at the level of [their] neighbors in the village." Banerjee, *So, You Want to Join the Peace Corps*, 42.

82. Curley, interview.

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Integration and community acceptance are considered necessary program elements to achieve Peace Corps goals because without cultural understanding and integration, volunteers would be unable to develop meaningful relationships.<sup>83</sup> Volunteers are considered the “face of America;” and these personal relationships “serve as a crucial foundation for world peace, cross-cultural exchange, and understanding.”<sup>84</sup> Most importantly, volunteers “foster positive relationships with host country nationals [and] dispel myths about Americans,”<sup>85</sup> building “bridges of understanding.”<sup>86</sup>

Peace Corps leaders believe that relationships have many additional advantages, contending that the safety and security of volunteers are best safeguarded through strong community relationships and volunteer integration.<sup>87</sup> With close community ties, volunteers are protected by their communities.<sup>88</sup> Integration and relationships also enable volunteers to leverage community and national resources to complete their projects. Community integration also provides volunteers a rich experience that helps them appreciate different cultures and return to the U.S. with a broader international perspective.<sup>89</sup> In addition, cultural and language skills allow volunteers to remain largely independent from the Peace Corps organization. Finally, integration allows volunteers to better communicate skills to the host nation population, which gives the community a better ability to sustain projects once the volunteer leaves.

### **Emphasis on Sustainable Development**

One of the Peace Corps’ fundamental principles is creating sustainable development—a level of long-term self-sufficiency for the communities and the nations within which volunteers are involved.<sup>90</sup> It is a constant organizational focus to shift reliance away from the Peace Corps and onto the host nation; “it is about making something theirs”<sup>91</sup> and “building local capacity with a focus on developing people, not things.”<sup>92</sup> One of the Peace Corps’ strategic goals is to broaden “the impact on the lives of the men and women in their host communities by transferring tangible skills,”<sup>93</sup> with 86 percent of volunteers believing that they have successfully transferred such skills to others.<sup>94</sup> As an example, Peace Corps volunteers trained 155,565 service providers in 2007—helping develop teachers, clinic workers, agricultural agents, and others.<sup>95</sup>

Peace Corps projects are set up to develop self-reliance on the part of the host communities. Each volunteer’s term in a community is isolated—there is typically no one that replaces volunteers once they leave a community.<sup>96</sup> If a project is not complete at the end of two years, then the community is expected to finish it. If the project requires permanent manpower—like nurses in a clinic or teachers

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83. “Peace Corps Report to the U.S. Senate: Peace Corps Volunteer Safety and Security (Part 1),” 24. Erickson, interview. “Peace Corps Congressional Budget Justification,” 5.

84. “Peace Corps Congressional Budget Justification,” Introduction, viii.

85. “The Peace Corps Performance and Accountability Report,” 2.

86. “The Peace Corps Performance and Accountability Report,” 21.

87. “Peace Corps Report to the U.S. Senate: Peace Corps Volunteer Safety and Security (Part 1),” 2.

88. Erickson, interview.

89. Erickson, interview.

90. Curley, interview.

91. Curley, interview.

92. *Peace Corps Volunteer Handbook*, 45.

93. “The Peace Corps Performance and Accountability Report,” 25.

94. “The Peace Corps Performance and Accountability Report,” 26.

95. “The Peace Corps Performance and Accountability Report,” 27.

96. Curley, interview.

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in a school—then the community is expected to furnish it. This gives the community a sense of urgency about developing their ability to sustain projects well into the future. Therefore, volunteers mandate heavy community participation in their projects from the outset.<sup>97</sup>

Volunteers are trained to focus on developing the ability of communities to help themselves. PCVs are encouraged to “build the capacity of the host country nationals with whom they work and to help teach solutions that will be sustainable within the community.”<sup>98</sup> It is for this reason that the largest single project category within the Peace Corps is education, with 35 percent of volunteers performing education projects where they can pass on knowledge and skills to host nation populations.<sup>99</sup> Capacity-building efforts “are targeted toward individuals, service providers, and organizations, who can, in turn, teach fellow community members;” and volunteers are to work themselves out of a job in their communities.<sup>100</sup> PCVs, through their own volunteer actions, also promote volunteerism in others.<sup>101</sup> Similarly, host nation staff members are equipped to develop leadership, administration, and logistical skills to strengthen their host nation’s developmental capabilities.<sup>102</sup> In the view of Peace Corps leaders, this entire approach is the best way for the organization to efficiently and effectively utilize its resources. Instead of maintaining a constant presence in communities around the world, they use their resources to empower and equip others to help themselves. Once volunteers leave a nation, Peace Corps leaders hope that sustainable development and self-sufficiency are left behind in their place.

### **Assessment of the Peace Corps**

From the preceding description, it appears that the Peace Corps has a positive international impact because of its sustainable development activities. There is plenty of anecdotal evidence that supports such a claim. Quantification of the Peace Corps’ impact, however, is unspecified. Only in 2007 did the Peace Corps attempt to assess effectiveness, establish strategy, and improve effectiveness by forming the Office of Strategic Information, Research, and Planning. This organization is attempting to better quantify the Peace Corps’ ability to achieve its three strategic objectives. Currently, however, the only data upon which to base assessment is from close-of-service surveys which reveal volunteers’ opinions, but not the opinions of those served by the Peace Corps. It is these later opinions that would define success regarding the first two Peace Corps objectives.

In order to achieve its objectives, the Peace Corps advocates the independence of its volunteers. There certainly appear to be great benefits to allowing PCVs the flexibility and responsiveness to adjust to local conditions. Independence, however, only works when volunteers are properly motivated and skilled. While the selection process helps Peace Corps leaders select volunteers who meet such qualifications, it does not do so perfectly. There is always the potential that independence could allow substandard volunteers to abuse their freedoms and possibly create lasting negative impressions of the U.S. instead of positive ones. Peace Corps leaders rely on informal communication networks to reveal such problems, but these networks are also not as timely or as accurate as sometimes needed.

Independence is also most useful when channeled appropriately. While the Peace Corps leaders give credit to volunteer independence for its organizational success, such independence is supported

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97. Curley, interview.

98. “The Peace Corps Performance and Accountability Report,” 27.

99. “Peace Corps Congressional Budget Justification,” 32.

100. “The Peace Corps Performance and Accountability Report,” 27.

101. “The Peace Corps Performance and Accountability Report,” 11.

102. Erickson, interview. Needlman, interview.

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by a large permanent network of domestic and foreign staff members. This staff provides Peace Corps continuity in terms of its overall objectives, resource allocation, and relationships within host nations. The Peace Corps structure provides the framework within which the independent volunteers are able to thrive and deserves a substantial portion of the credit for its sustainable development successes.

Two important limitations prevent the Peace Corps from achieving the scope of influence that it desires. The first limitation is one of safety and security. While Peace Corps leaders claim to be comfortable with volunteer safety, part of this comfort derives from placement strategies that avoid unstable or dangerous locations. Therefore, the strategy of community integration and volunteer independence is only allowed to work in areas designated safe and suitable, preventing the Peace Corps from providing sustainable development to the areas that need such assistance the most. The second limitation is a natural conflict between the Peace Corps' first and second strategic objectives.<sup>103</sup> The Peace Corps strives to provide sustainable development to host nations as part of its first strategic objective and believes that it can best do so through cultural integration and volunteer independence. It also takes great care to maintain its credibility and even believes it is best to locate apart from the U.S. embassy so that it does not appear to be too closely tied with American interests. Separation, however, precludes close integration between Peace Corps actions and other U.S. activities in the host nation. In addition, the second Peace Corps strategic objective is to promote an understanding of the United States to host nation populations. In order to accomplish this, PCVs need to be identified as Americans and maybe even representatives of the United States. This provides a natural tension that if not properly balanced, could have the potential to elevate one strategic objective to the detriment of the other. A similar tension exists in military programs to build partner capacity, which must carefully balance support to host nation forces and American strategic objectives.

While there are some obstacles that Peace Corps leaders face in sustainable development programs, assessment of the Peace Corps does provide some interesting areas to consider regarding command and control, selection, training, progression of service, and areas of emphasis. These organizational areas are particularly illuminating because of the similarities in the ultimate aims of the Peace Corps and military programs to build partner capacity, especially those of security cooperation. Organizational areas are also revealing because the Peace Corps is a part of the USG and is guided and constrained by bureaucratic considerations similar to those of the American military. Assessment of an organization outside the USG, especially a faith-based one such as Baptist International Missions, Incorporated, may offer different insights about how other organizations prepare to build self-sustaining operations. It is this case study that will be examined in a subsequent article.

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103. "Peace Corps Congressional Budget Justification," 3.



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# Improving the Quality of Foreign Military Sales Forecasting Using Benford's Law

By

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and

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[The views presented herein are solely those of the authors and do not represent the official opinions of DISAM or the Defense Security Cooperation Agency (DSCA). **Editor's note:** This article observes that the distribution of historical foreign military sales (FMS) data shows a statistically significant correlation with Benford's law and therefore one could expect fairly accurate predictions for future FMS if the cautions concerning base data collections are followed. To avoid any unwarranted assumption, understand this is one of several evaluated tools available for predicting future activity.]

## Abstract

One approach to forecasting future sales might be called the "bottom-up" approach. In general, one tries to forecast the values of all major customers' orders for the upcoming year. Then, these are summed to obtain a forecast for the upcoming year's total sales. This approach can be used in conjunction with other methods, such as examining current sales trends, as part of the overall forecasting process. When using any forecasting method, one needs to understand the quality of the data being used. This paper shows how to use an intriguing mathematical phenomenon called Benford's Law to measure the quality of the data being used for bottom-up forecasting when large numbers of customer orders are expected.

## The Bottom-Up Approach to Forecasting

Good forecasts of future sales often can be built by combining the results of several forecasting approaches. One that can be used might be called the "bottom-up" approach. BusinessDictionary.com (2009) defines a bottom-up sales forecast as a "Method where . . . the sales revenue estimates of each product or product line are combined to compute [the] revenue estimate for the entire firm." Suppose an organization has regular customers with whom it has done business over the years and those customers provide a large number of sales contracts having a wide range of dollar values. Historically, on any given year, a few new customers might have entered the market; a few customers might have left the market; but, as a general rule, the organization has a regular clientele. When the organization starts its forecasting process for next year's sales, it might individually meet with its customers to learn what they may desire to buy during that time frame. For example, suppose an interview with Customer A indicates that he or she intends to buy goods and services totaling \$1,249,432 on one sales contract, \$45,814 on a second sales contract, and \$928 on a third sales contract. After the organization meets with each customer and obtains the dollar values for expected sales contracts for the forecast year, the forecaster can then list these sales contracts and their dollar values, add their dollar values, and thereby obtain a forecast for the upcoming year's sales. The dollar value of each sales contract can be considered a data point.

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There are many good further discussions regarding bottom-up forecasting. For example, Kahn discusses key advantages and disadvantages of the approach in his 1998 article “Revisiting Top-Down Versus Bottom-Up Forecasting” [Kahn 1998].

There is a possible disadvantage of bottom-up forecasting in this situation. Some customers will perform due diligence and provide very reasonable sales contract dollar values. However, others might dismiss the request from the organization and provide data points of little or no value. The adage “garbage-in-garbage-out” certainly applies here, and the forecaster needs a way to measure the quality of these data points received to ensure that the resulting sales forecast for the upcoming year is of the best quality possible.

One forecasting data point quality measurement system to use is simple—albeit initially a very unusual approach. First, look again at the list of all sales contracts. Examine just the leading (first) digit of each sales contract. Using the example above, we expand the list by adding a third column as shown below; and we would continue the list for all sales contracts.

<b>Table 1</b>		
<b>Example of Sales Contract Forecast List</b>		
<b><u>Sales Contract</u></b>	<b><u>Expected Sales</u></b>	<b><u>Leading Digit of Expected Sales</u></b>
Contract 1	\$1,249,432	1
Contract 2	\$45,814	4
Contract 3	\$928	9

When the list is complete, determine the percentage of times each leading digit occurs in the list. For example, what percentage of the time does the leading digit “1” occur? If the percentage of occurrence does not coincide with Benford’s Law for a certain leading digit, then this is an indicator of defective input quality; the forecaster should look again at all of the data inputs having that leading digit and perhaps re-contact certain associated customers. The question is, what would you expect each percentage to be?

### **Benford’s Law**

Benford’s Law is named for the late Dr. Frank Benford, a physicist formerly at the General Electric Company. In 1938, Dr. Benford noticed that pages of logarithms corresponding to numbers starting with the numeral 1 were much dirtier and more worn than other pages (Browne 1998). In fact, in numerous lists of numbers he then studied from many real-life sources of data, the leading digit “1” occurred more often than the others, namely about 30 percent of the time.

A lively account of Benford’s Law is found in a blog entitled “Fabulous Adventures in Coding.”

While I was poking through my old numeric analysis textbooks to refresh my memory for this series on floating point arithmetic, I came across one of my favorite weird facts about math. A nonzero base-ten integer starts with some digit other than zero. You might naively expect that given a bunch of “random” numbers, you’d see every digit from 1 to 9 about equally often. You would see as many 2’s as 9’s. You would see each digit as the leading digit about 11 percentage of the time. For example, consider a random integer between 100,000 and 999,999. One ninth begin with 1; one ninth begin with 2, etc. But in real-life datasets, that’s not the case at all. If you

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just start grabbing thousands or millions of “random” numbers from newspapers and magazines and books, you soon see that about 30 percent of the numbers begin with 1; and it falls off rapidly from there. About 18 percent begin with 2, all the way down to less than 5 percent for 9. This oddity was discovered by Newcomb in 1881 and then rediscovered by Frank Benford, a physicist, in 1937. As often is the case, the fact became associated with the second discoverer and is now known as Benford’s Law. Benford’s Law has lots of practical applications. For instance, people who just make up numbers wholesale on their tax returns tend to pick “average seeming” numbers; and to humans, “average seeming” means “starts with a five.” People think, I want something between \$1000 and \$10000, let’s say \$5624. The Internal Revenue Service (IRS) routinely scans tax returns to find unusually high percentages of leading 5’s and examines those more carefully. Benford’s result was carefully studied by many statisticians and other mathematicians, and we now have a multi-base form of the law. Given a bunch of numbers in base B, we’d expect to see leading digit n approximately in  $(1 + 1/n) / \ln B$  of the time. But what could possibly explain Benford’s Law? (Lippert 2005)

This article answers the question “Why does Benford’s Law work?” (at least in many situations) and shows that it also applies to sales forecasting. This paper is based on the previous research of the authors (Tichenor, Davis 2008) (Tichenor, Davis 2009).

## Logarithms

The first step to understanding why Benford’s Law works is to refresh our minds about exponents and logarithms (usually abbreviated as “log”).

We are all familiar with how to express numbers using exponents. For example:

$$\begin{aligned} 10^1 &= 10 \\ 10^2 &= 100 \\ 10^3 &= 1000 \end{aligned}$$

and so on, where the 1, 2, and 3 are exponents. Any positive number can be expressed as 10 to some power. For example:

$$\begin{aligned} 10^{.3010} &= 1 \\ 10^{.4771} &= 2 \\ 10^{.6021} &= 3 \end{aligned}$$

and so on. You can check these with a scientific calculator. We can also reverse-engineer these equations and say that:

$$\begin{aligned} \log 10 &= 1 \\ \log 100 &= 2 \\ \log 1000 &= 3 \end{aligned}$$

also:

$$\begin{aligned} \log 1 &= .3010 \\ \log 2 &= .4771 \\ \log 3 &= .6021 \end{aligned}$$

and so on.

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## Weber-Fechner Law

Our study of the underlying causes of Benford's Law includes the research of Ernst Heinrich Weber. Weber (Wikipedia 2005) found a form of the law of diminishing returns relationship in humans between stimulus and response: as stimulus increased, response also increased but at a decreasing rate that is logarithmic. For example, if stimulus increased by a factor of 2 (i.e., 100 percent), then response increased by  $\log 2$ , or .3010. If stimulus increased by a factor of 3, then response increased by a factor of  $\log 3$ , or .4771. If stimulus increased from a factor of 2 to a factor of 3, then response increased by  $\log 3 - \log 2$ , or .4771 - .3010, or .1761. (Using this line of reasoning, if a stimulus level "increases" by a factor of 1, then there actually is no change in stimulus level and therefore no response.) This important finding is summarized in the below table, and was verified by Sinn (Sinn 2002).

**Table 2**  
**Weber-Fechner Law of Stimulus and Response**

Stimulus Level	Response Level Log	Incremental Response	Percent Incremental
(1)	0	0	0
2	0.3010	0.3010	30.10%
3	0.4771	0.1761	17.61%
4	0.6021	0.1249	12.49%
5	0.6990	0.0969	9.69%
6	0.7782	0.0792	7.92%
7	0.8451	0.0669	6.69%
8	0.9031	0.0580	5.80%
9	0.9542	0.0512	5.12%
10	1.000	0.0458	4.58%

It is unlikely that a stimulus level will increase from 1 to exactly 2. It could increase to any of numerous intermediate levels, such as 1.04, 1.3, or 1.72. What is important is that 30.10% (.3010) of the possible stimulus levels will range from 1 to 2. Put another way, those leading digits will be a 1 (such as the 1.04, 1.3, or 1.72). In the same way, stimulus levels could range from 2 to 3, such as 2.3, 2.47, or 2.989. The number of stimulus levels that would have a leading digit of 2 will be 17.61%, or .1761.

There is a sidebar that we also need to discuss. If the stimulus level increases from 1 to 2, then the response increases by 30.10 percent. Those familiar with logarithm math would conclude that it is also true that if the stimulus increases from 10 to 20, 100 to 200, 1000 to 2000, etc., then the corresponding responses would also have to increase by factors of 30.10 percent. What is important is the following conclusion. According to the *Weber-Fechner Law*, if we randomly sample a statistically large number of responses, we will find that about 30.10 percent of them will have a stimulus level starting with a leading digit of 1. We will find that about 17.61 percent of the responses will have a

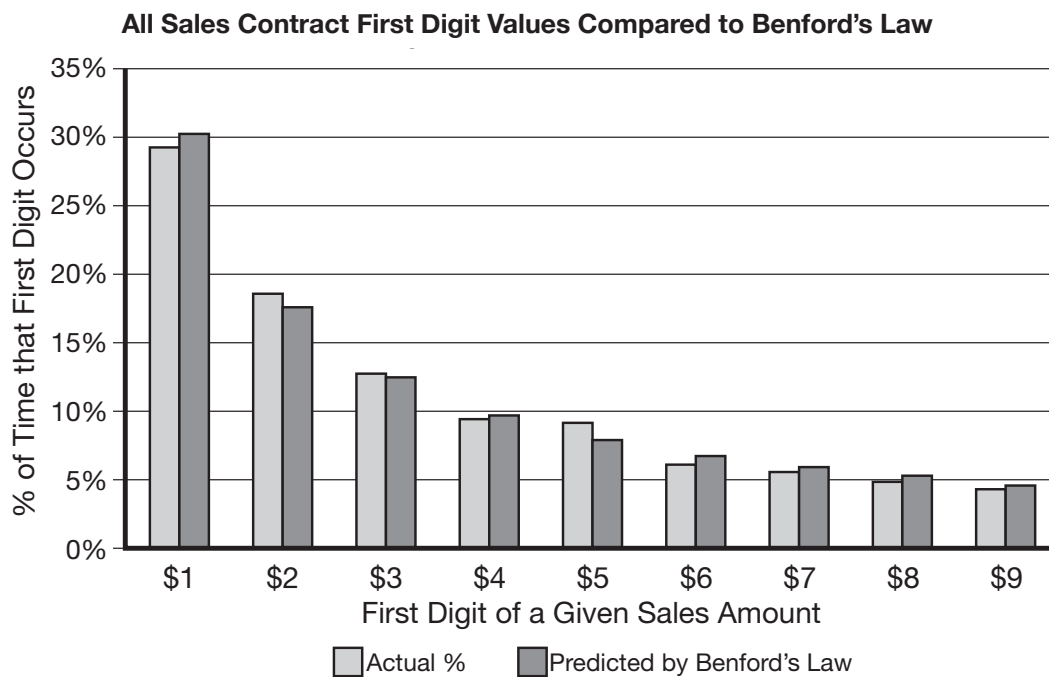
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corresponding stimulus level starting with a 2, and so on. We will find that only 4.58 percent will have a leading digit of 9.

### How Benford's Law Applies to Bottom-Up Sales Forecasting

Suppose that sales are a human stimulus and response activity. The response is customer satisfaction, and the stimulus level is measured by the dollar value of the customer's sales contracts. If we sample a statistically large number of these sales contracts, then we should find that about 30.10 percent of them have a leading digit of 1, about 17.71 percent have a leading digit of 2, and so on through the leading digit of 9—which should occur about 4.58 percent of the time. Benford's Law would apply.

To test this, we looked at all of the sales contracts used by DSCA over a recent multi-year period. Below is a graph of the results.



The leading digit percentages of sales contracts have statistically the same distribution predicted by Benford's Law and implied by the Weber-Fechner Law.

### Conclusion

The agreement of the sales contract data with Benford's Law is almost identical and is statistically significant. We therefore conclude that selling for DSCA is largely a stimulus and response activity and that it is modeled almost perfectly using Benford's Law. We also conclude that if bottom-up sales forecasting is done well, then the forecast values of the sales contracts would be close to the eventual actual values and the forecast data points would be distributed according to Benford's Law. Deviations from Benford's Law might signify the need to revisit certain individual customer data points.

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# **The Jordan Model: Coming Soon to a United States Embassy Near You**

**By  
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The promulgation of Department of Defense Directive (DoDD) 5105.75, dated December 21, 2007, will result in major changes in the leadership of Security Cooperation Offices and Defense Attaché Offices in U.S. diplomatic missions (embassies); coordination of security cooperation programs and activities with geographic combatant commands (GCCs); and, potentially, relations with host country militaries and officials. The directive establishes the position of Senior Defense Official/Defense Attaché (SDO/DATT). The SDO/DATT will essentially be triple “hatted,” fulfilling the traditional responsibilities of the U.S. Defense Attaché (DATT), Chief of the Security Cooperation Organization (CSCO),<sup>1</sup> and the additional duties traditionally associated with the designation of U.S. Defense Representative (USDR). The Department of Defense (DOD) policy is to insure unified DOD representation in U.S. embassies in the accomplishment of national security objectives.<sup>2</sup> The SDO/DATT will be the “principal DOD official in a U.S. embassy, as designated by the Secretary of Defense. The SDO/DATT is the Chief of Mission’s (COM) principal military advisor on defense and national security issues, the senior diplomatically-accredited DOD military officer assigned to a diplomatic mission, and the single point of contact for all DOD matters involving the embassy or DoD elements assigned to or working from the embassy.”<sup>3</sup>

The implementation of the SDO/DATT concept is complex and involves numerous DOD secretaries and agencies, the Joint Staff, GCCs, the military services, and the Department of State (DOS) tackling a myriad of issues and a multiyear implementation timeline. Addressing the full scope and scale of the SDO/DATT concept and its implementation is outside the scope of this article. This article will highlight some of the background related to the creation of the SDO/DATT position and the duties and responsibilities of the SDO/DATT and offer some thoughts and comments on the SDO/DATT position from four perspectives—the diplomatic mission (COM/ambassador), GCC, host country, and the security cooperation and defense attaché offices. Recognizing that the scale and scope of security cooperation programs vary from country to country, as do the in-country U.S. military organizations/offices and personnel to manage and coordinate them, this article focuses on having separate security cooperation and defense attaché offices as part of a U.S. diplomatic mission.

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1. The term Security Cooperation Organization (SCO) is used to refer to military assistance advisory groups, offices of defense cooperation, offices of military cooperation, et al. located within a foreign country, regardless of organizational title or name, carrying out the coordination and management of security cooperation programs and activities. This definition is in keeping with DoD Directive 5132.03, *DoD Policy and Responsibilities Relating to Security Cooperation*, dated October 24, 2008. SCO replaces the previously common term Security Assistance Organization (SAO) used generically to refer to these organizations and offices.

2. U.S. Department of Defense, Undersecretary of Defense for Policy, and Undersecretary of Defense for Intelligence, Department of Defense Directive 5105.75, *Department of Defense Operations at U.S. Embassies* (Washington, D.C., December 2007), 2.

3. U.S. Department of Defense, Undersecretary of Defense for Policy, Department of Defense Directive 5132.03, *DoD Policy and Responsibilities Relating to Security Cooperation* (Washington, D.C., October 2008), 11..

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Prior to the creation of the SDO/DATT position and implementation of this new change, Defense Attaché Offices (DAO) and Security Cooperation Offices (SCO) in U.S. embassies were generally separate military entities with separate leadership. Each office functioned under the responsibility of the U.S. ambassador/COM. Each office fulfilled different missions and responsibilities; was governed by different laws, legal authorities, policies, and directives; and had separate military and civilian personnel staffing. The Defense Attaché headed the DAO, while a designated senior officer, normally referred to here as the Chief, lead the SCO. Additionally, until DOD issued DoDD 5105.75, one of these officers was appointed as the U.S. Defense Representative (USDR). In accordance with the now rescinded DoDD 5105.47 and DOD Instruction (DoDI) 5105.57, the USDR represented the Secretary of Defense and GCC for coordinating administrative and security matters for noncombatant command DOD personnel in country.<sup>4</sup> In exercising directive authority over DOD noncombatant command personnel in emergencies, the USDR did not preempt the ambassador's/COM's authority over DOD noncombatant command personnel or the GCC's command authority over DOD personnel.<sup>5</sup> The USDR's responsibilities included coordinating diplomatic mission support for DOD elements on temporary duty in or deployed to the host country and providing information on in-country activities for DOD noncombatant command personnel/units.<sup>6</sup> Bottom line—the USDR was responsible for coordinating and overseeing the force protection requirements of DoD personnel and elements inside the host country which did not fall under the force protection responsibility of the ambassador/COM.

The concept of having a single officer serve as the DATT, CSCO, and USDR is not new. This triple “hatting” concept is often referred to within the security cooperation community as the “Jordan Model.” In the U.S. Embassy in Jordan, the Defense Attaché also serves as Chief Military Assistance Program (MAP) Jordan and USDR. The SDO/DATT is essentially the Jordan Model. It must be noted that in the embassy in Jordan the DAO and SCO (MAP) are separate offices; the SDO/DATT concept does not call for consolidating the offices, only the top leadership position.<sup>7</sup>

Proposals for consolidation of SCO and DAO leadership were periodically raised during the 1990s and early 2000s. These proposals were not widely or universally supported and often encountered resistance from GCCs, the military services, and DOD agencies for a variety of reasons and concerns. The primary impetus for implementing the SDO/DATT concept appears to have come primarily from ambassadors and the office of the Undersecretary of Defense for Intelligence. Former Secretary of Defense Donald Rumsfeld finally approved implementation of the concept and promulgation of the requisite DOD policy directives and instructions.<sup>8</sup>

With the consolidation of the DATT and CSCO into one billet and individual (the SDO/DATT), the selection and training requirements for individuals to fill SDO/DATT billets will change in accordance with DoDD 5105.75. The military services nominate officers for each SDO/DATT billet. The services' nominations are reviewed by the:

- Director, Defense Intelligence Agency (DIA)

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4. U.S. Department of Defense, Undersecretary of Defense for Policy, Department of Defense Directive 5105.47, U.S. *Defense Representative (USDR) in Foreign Countries* (Washington, D.C., January 1992), 2.

5. U.S. Department of Defense, Undersecretary of Defense for Policy, Department of Defense Instruction 5105.57, *Procedures for the U.S. Defense Representative (USDR) in Foreign Countries* (Washington, D.C., December 1995), 4.

6. *Ibid.*, 5.

7. DoDD 5105.75, 3.

8. Bill Ellis, DSCA, e-mail message to author, June 29, 2009.

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- Director, Defense Security Cooperation Agency (DSCA)
- Chairman, Joint Chiefs of Staff (CJCS)
- Appropriate Geographic Combatant Command

DIA and Defense Security Cooperation Agency (DSCA), with Chairman, Joint Chiefs of Staff (CJCS) and GCC concurrence, forward nominations for approval to the Undersecretary of Defense for Policy (USDP) and Undersecretary of Defense for Intelligence (USDI). Once approved by USDP and USDI, each SDO/DATT receives a Letter of Appointment issued by the Secretary of Defense and a Letter of Introduction to the COM. (Representative generic Letter of Appointment and Letter of Introduction based upon actual appointment and introductory letters are on the next page.) Besides the Secretary of Defense's letter, the CJCS provides the appropriate host country military counterpart with information introducing the SDO/DATT as DOD's senior diplomatic representative to the host country.<sup>9</sup> In light of the fact that in many countries the host country military establishment has been



**Figure 1**  
**Secretary of Defense Generic**  
**Letter of Appointment of**  
**Senior Defense Official/Defense**  
**Attaché**

Colonel John Q. Public, USAF  
 U.S. Defense Attaché Office Bandaria  
 Washington, D.C. 20521-7777

Date

Dear Colonel Public:

You are hereby appointed SDO/DATT in the Republic of Bandaria. As SDO/DATT, you are the principal Department of Defense official at the American Embassy in Bandaria and my representative to the Ambassador and the government of Bandaria. You will represent the geographic combatant command, the Defense Intelligence Agency (DIA), and the Defense Security Cooperation Agency (DSCA) to the U.S. embassy country team and the host nation. Congratulations on your selection to serve in this key position.

I charge you with the overall direction and management of the Defense Attaché Office and the Office of Military Cooperation (OMC) and the coordination of U.S. defense issues and activities in Bandaria in accordance with DoD Directive 5105.75 and DoD Instruction 5105.81. I expect you to provide strong and ethical leadership and to set the standard for personal excellence.

You will receive guidance and instructions from DIA on your duties as the Defense Attaché and from the geographic combatant command and DSCA on your duties as Chief, OMC. The Office of the Secretary of Defense will provide additional policy guidance as required. You will communicate regularly with your geographic combatant command, DIA, and DSCA to address the multi-faceted equities of each.

As you prepare for your mission, remember you are representing an important and integral part of the U.S. foreign policy process. I wish you great personal and professional success as you embark on this challenging assignment.

Sincerely,  
 //SIGNED//  
 Secretary of Defense



**Figure 2**  
**Secretary of Defense Generic**  
**Letter of Introduction of Senior**  
**Defense Official/Defense Attaché**  
**to U.S. Ambassador**

Honorable Jane Smith  
 American Embassy Bandaria  
 Washington, D.C. 20521-7777

Dear Madam Ambassador:

This letter introduces Colonel John Q. Public, United States Air Force, whom I appointed as the Senior Defense Official (SDO) and Defense Attaché (DATT) to your embassy. As the SDO/DATT, Colonel Public is my representative to you and, subject to your authority as Chief of Mission, the diplomatic representative of the Defense Department to the government of Bandaria. I urge you to take full advantage of Colonel Public's expertise and resources as your principal military advisor.

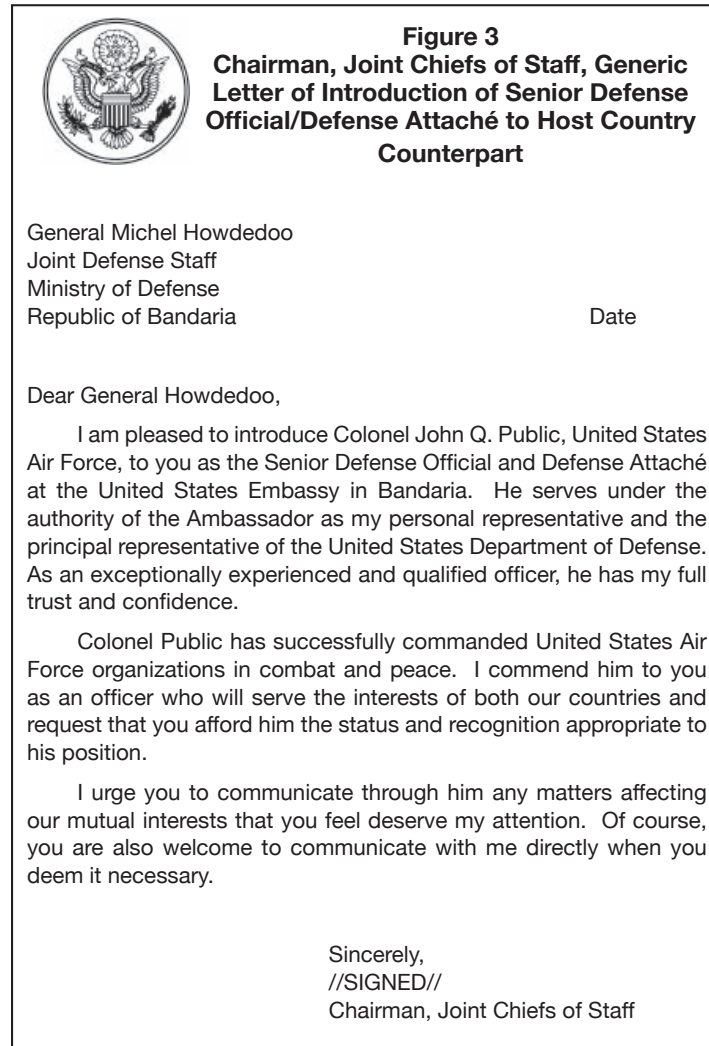
Colonel Public is an exceptionally experienced and qualified officer, in whom I place my full trust and confidence. He commanded United States Air Force organizations in combat and in peace with success and served with distinction as a member of the Air Staff. I commend Colonel Public to you as an officer who will serve the interests of both the Department of Defense and the Department of State.

I urge you to communicate through him any matters affecting our mutual interests that you feel deserve my attention. Of course, you are welcome to communicate with me directly for those matters you feel are appropriate.

Sincerely,  
 //SIGNED//  
 Secretary of Defense

9. DoDD 5105.75, 7.

dealing with both a DATT and CSCO, these appointment and introduction efforts will likely be key to acquainting host country civilian and military leaders to this new representational and responsibility paradigm.



Whereas in the past the DATT and CSCO had separate and distinct responsibilities, an officer serving as the SDO/DATT will be responsible for performing all of these responsibilities. In accordance with DoDD 5105.75 and DoDI 5132.13, the SDO/DATT will:

- Serve as Defense Attaché and Chief of Security Cooperation
- Be the primary point of contact for planning, coordinating, supporting, and executing DOD issues and activities with the host country including the geographic GCC's Theater Security Cooperation Program
- Be the principal liaison between U.S. diplomatic mission (embassy) and host country defense/military establishment and participate in development and coordination of national security and operational policy
- Serve as the principal in-country DOD diplomatic representative of the Secretary of Defense and DOD components
- Serve as single DOD point of contact and advisor to the U.S. ambassador/COM

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- Coordinate on behalf of the Secretary of Defense and geographic GCC administrative and security related matters for all DOD personnel in country not under the GCC
  - Exercise Coordinating Authority over DOD personnel and elements under COM authority<sup>10</sup>
  - Recommend proposed changes to SCO joint manning to COM and geographic GCC
  - Execute other assigned duties and responsibilities specified in applicable DOD, Joint Chiefs of Staff, and GCC classified policy directives and instructions

Just as DATT and CSCO billets and responsibilities were separate and distinct, each of the officers also received different training. Officers selected to serve as a SDO/DATT will now be required to complete training applicable to serving as an attaché as well as managing security cooperation activities and programs. A direct result of this required training is that the services must nominate officers for SDO/DATT billets much earlier to facilitate completion of all required training which will require more time. Completion of the required training could conceivably take up to 1-2 years which may include language training.

DoDD 5105.75 provides general guidance on the minimum training officers selected to serve as SDO/DATTs are to receive. Specific training will be programmed based upon country of assignment but may include the following:

- Joint Military Attaché School course for attaché training (About 13 weeks)
- DISAM course for security cooperation overview (About 1-3 weeks depending on specific course—SDO/DATTs may attend the Security Cooperation Management Overseas course or the Security Cooperation Management Executive Course for General Officer/Flag Level)
- Force protection (Up to two weeks)
- Language and cultural training/refresher training (About 1-18 months depending on language and previous language training)
- Consultations with DOD agencies, Office of Secretary of Defense staff elements, Joint Staff, DOS, and other appropriate U.S. Government agencies (About 1-5 weeks depending on country and complexities and scope of U.S. interests, objectives, and programs and activities)
- Consultations with appropriate geographical GCC (About one week)

Based upon my experiences performing security cooperation duties in the Military Assistance Program (MAP) in Jordan, at a GCC, and at DISAM, I offer some thoughts and comments concerning the SDO/DATT concept. These comments are not all inclusive, nor do they address many of the other relevant issues and challenges for consolidating DAO and SCO leadership. I believe it is worthwhile to consider the SDO/DATT from four perspectives:

- The diplomatic mission (ambassador/COM)
- GCC
- Host country

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10. Which DoD personnel and elements fall under the Chief of Mission's authority and the specific guidelines of this authority are generally outlined in the *Foreign Service Act of 1980* as amended, the *Foreign Assistance Act of 1961* as amended, the *Diplomatic Security Act of 1986*, and the Memorandum of Understanding between the Department of State and the Department of Defense on Security of DoD Elements and Personnel in Foreign Areas.

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- The Security Cooperation Office/Defense Attaché Office

For the diplomatic mission and especially the ambassador/COM, the SDO/DATT provides what many ambassadors desire—a single individual responsible for advising and informing on all DOD activities and programs in the country. A coordinated, consensual DOD position on U.S. national security interests and objectives with respect to the host country should result. Consolidated leadership of the two offices, the DAO and SCO, should also benefit the COM by resulting in unity of effort between the two DOD offices. Friction and “turf battles” between the two offices, often between the DATT and CSCO, had unfortunately occurred from time to time. Having a single senior DOD leader mitigates this friction.

While there are advantages to having an SDO/DATT, there are also some potential cautions or concerns for COM to consider. First is the recognition that the SDO/DATT will be responsible for some distinctly different and separate responsibilities as an attaché and a security cooperation officer. COMs need to recognize that depending on the scope and complexity of the military relationship and programs and activities with the host country, the SDO/DATT may be challenged to balance competing priorities and issues. The learning curve for new SDO/DATTs, even those with a previous tour as either an attaché or security cooperation officer, may be steeper than if the officer only had to fulfill one “hat’s” responsibilities instead of three as the SDO/DATT.

GCCs also gain a single military point of contact in the diplomatic missions located within the GCC’s area of responsibility. With the GCC as the Senior Rater/Concurrent Reporting Senior/Reviewing Officer for SDO/DATTs, the SDO/DATTs will be very responsive to GCC requirements and priorities, including security cooperation plans, programs and activities, contingency and operational planning, and GCC intelligence requirements.<sup>11</sup> Previously the GCC Commander, or more likely a designated staff section Director (e.g., J4, J5), was in the rating chain of CSCOs but not DATTs except for the DATT/Chief MAP in Jordan. Synchronization and coordination of the GCC’s and DOD’s military security cooperation programs, activities, other programs, and objectives with the other agencies at a diplomatic mission in the Mission Strategic Plan should also be enhanced under the unified SDO/DATT leadership structure.

The designation of the additional duty of United States Defense Representative (USDR) also led at times to friction between the DATT and CSCO in an embassy. Anecdotally this was often the result of “personality clashes” between the incumbents. The SDO/DATT concept eliminates these conflicts. It enhances the coordination and oversight of force protection and security requirements for all DOD personnel in the country, both under the COM responsibility and especially under GCC responsibility. For the GCCs and DOD as well, there will no longer be a requirement to evaluate and recommend appointment of either the DATT or the CSCO as the USDR. The SDO/DATT fulfills the formerly distinct USDR responsibilities.

Security cooperation personnel assigned to a diplomatic mission play key roles in planning, coordinating, and facilitating the execution of security cooperation programs and activities in support of the GCC’s Theater Security Cooperation Plan and DOD. In doing so, access to and interfacing with host country civilian and military leaders and interlocutors is critical. This is especially true for the SDO/DATT as the senior U.S. military representative in the country. The SDO/DATT’s access to and relationship with host country representatives may be a potential issue from the GCC’s perspective and also the perspective of the host country; this will most likely be in countries where the U.S.

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11. The Defense Intelligence Agency Director serves as the rater for Senior Defense Officials/Defense Attachés.

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maintained separate attaché and security cooperation offices. The intelligence related connotations of the duties and responsibilities of the DATT are the concern.

A somewhat commonly accepted perception is that U.S. security cooperation personnel often had more access and fewer administrative and travel restrictions imposed on them by the host country than did U.S. military attachés. Anecdotally this results from the perception that attachés focus on overt intelligence gathering since they work for the DIA. Whether or not this is accurate or not, how host country representatives view the SDO/DATT is important. SDO/DATTs will need to insure that host country representatives do not perceive them with an intelligence collection stereotype. The first SDO/DATTs appointed must endeavor to help their host nation counterparts and interlocutors understand the full range of the SDO/DATT's responsibilities; how the SDO/DATT concept may benefit their country; and foster strong, mutually beneficial, respectful relationships. The CJCS's letter of introduction supports these efforts. SDO/DATTs should also appreciate that the perception and relationships they develop and how they fulfill their now combined responsibilities are critical to the environment and foundation they create for their successors. The success of DATTs/MAP Chiefs in Jordan and receptivity of Jordanian civilian and military leaders during the past thirty plus years exemplify the potential of the SDO/DATT concept.

Having a single officer in charge of both the DAO and SCO also has some implications for the internal management and functioning of the two separate offices. Unity of command of the DAO and SCO ought to facilitate unity of effort between the two offices and foster appreciation by each of the roles, responsibilities, objectives, and priorities of the other. Reflecting on service in MAP Jordan, I offer the following five initial observations.

Central to the effective and efficient operation of each of these two separate offices is the SDO/DATT's balancing of the different competing missions, programs, activities, and priorities. In larger diplomatic missions with robust SCOs and programs, such as Office of Military Cooperation Cairo or Office of Defense Cooperation Turkey, this balancing act will likely be more challenging and more important. The SDO/DATT must balance workload between two offices and endeavor to not become too focused on either intelligence matters or security cooperation matters, especially through personal bias or preference. Shifting priorities will obviously require the SDO/DATT to become decisively engaged for short periods of time in either the DAO or SCO. The SCO preparing for an annual or biennial security cooperation meeting, such as a Joint Military Commission, is an example of when the SDO/DATT's workload balance will shift more toward the SCO at the expense of the DAO.

This need to balance workload, shifting priorities, and the broad scope of responsibilities and programs highlights the importance of having a deputy or principal in both the SCO and DAO to manage the overall functioning and operations of each office. The deputy/principal would be analogous to the Executive Officer (XO) and Operations Officer (S3) in a unit such as a battalion. In support of the Commander, each oversees and manages specific aspects of the battalion's mission and operations which fall under their purview. In the case of the SCO and DAO, this will include the specific programs, activities, and responsibilities of their respective office, as well as coordinating and communicating with other members of the diplomatic mission Country Team, host country government and military establishment, GCC staff, appropriate U.S. Government departments, and DOD agencies and representing the SDO/DATT as required.

Representing the SDO/DATT is another important point for the SDO/DATT's consideration. Specifically, in the absence of the SDO/DATT, who represents the two offices with the COM and on the Country Team? There is not an obvious one size fits all solution. A number of factors will likely

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inform the SDO/DATT's decision. These factors may include the COM's preference, the experience of the individuals, specific issues that the Country Team may be discussing at the time, as well as other factors identified by the SDO/DATT. The SDO/DATT must insure that this situation does not become a point of contention or friction between the two offices or individuals within the SCO and DAO.

As noted previously, shifting priorities will at times require the SDO/DATT to be decisively engaged or more focused on matters being worked within one of the two offices. SCO and DAO personnel should anticipate that action on issues and matters requiring the SDO/DATT's review or approval may therefore be slowed when the SDO/DATT is engaged with higher priorities in the other office. Unforeseen issues and actions will occur; proactive planning around scheduled major events and activities such as attaché conferences, security cooperation conferences, distinguished visitor visits, and host country events can facilitate the SDO/DATT's review and approval of matters in a timely fashion.

Finally, access to the SDO/DATT may be a challenge. The SDO/DATT's workload and schedule are one issue. Access or ease of access may be complicated by location and proximity of the SCO and DAO offices. Even when the SCO and DAO offices are located within the embassy, they are, as a general rule, physically separated with distinct requisite security safeguards such as cipher locks, cameras, and access control rosters. Access becomes even more challenging in those countries where the SCO is located separately from the embassy, such as on a host country military installation. When the DATT and CSCO were separate positions, this geographic separation did not create significant problems since the CSCO worked from the SCO. The combined concept complicates access to the SDO/DATT and creates more inconvenience for SCO personnel since the SDO/DATT's office will likely be located within the embassy chancery. This is not an insurmountable problem, but the SDO/DATT and SCO personnel will need to mitigate these challenges. Whether both offices are located within the embassy or in separate facilities, "going to see the boss" will require an appreciation of these local security arrangements and conditions and development of local procedures to facilitate access to the SDO/DATT within required security procedures and protocols.

In offering some thoughts and insights about the SDO/DATT concept, there are some other important relevant points from the perspectives of DSCA, DIA, GCCs, and diplomatic missions that are not addressed in this article. These points include budgeting, housing, official vehicle, representational funding, other required support items and costs, joint manning documentation, travel costs, and temporary duty costs for training to list a few. Successful resolution of these and other administrative and logistical issues for each SDO/DATT billet is critical to the successful implementation of the SDO/DATT concept worldwide. They may pose the most frustrating and difficult problems for DSCA, DIA, the GCCs, and diplomatic missions to resolve during the next couple of years.

The SDO/DATT concept modeled after the structure of the multi-hatted DATT and MAP Chief in Jordan has both opportunities and challenges for the effective leadership and functioning of Defense Attaché Offices and Security Cooperation Organizations. This article has briefly highlighted some background of the concept and foundational policy aspects for this paradigm shift and the duties and responsibilities of the SDO/DATT. Some thoughts and insights considering the concept from the perspective of the COM, GCC, host country, and internally to the DAO and SCO were also provided. The concept has worked successfully in Jordan during the past thirty years, a credit to those officers who served as the Defense Attaché and Chief of the Military Assistance Program, the diplomats

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who served as the COM, and the cooperative professional relationship engendered by the Jordanian civilian and military leaders. The challenge for designated SDO/DATTs and COM, supported by DOD leaders and agencies, DOS, and GCCs, is to work with civilian and military leaders in host countries to lay the foundation for the long term success of SDO/DATTs in every country where separate DAOs and SCOs currently exist.

### **Author's Note**

Thank you to Mr. Bill Ellis of DSCA for providing some of the background information on the development and approval of the SDO/DATT concept and ongoing implementation efforts.

### **About the Author**

Lieutenant Colonel (Ret) Russell Crumrine is an Assistant Professor at the U.S. Army Command and General Staff College in the Department of Joint, Interagency, and Multinational Operations. He holds a Bachelor's Degree from Bowling Green State University and a Master's from the University of Louisville. He served on active duty in the U.S. Army as a Field Artillery Officer and as a Middle East Foreign Area Officer. As an FAO, his security cooperation assignments include serving as the Joint Actions Officer for U.S. Central Command in the Military Assistance Program, American Embassy in Jordan; International Programs Manager for Middle East and North Africa, Turkey, and Greece, Directorate of Logistics and Security Assistance (J4), U.S. European Command, Stuttgart, Germany; and as Director of Academic Support and Middle East Seminar Director, DISAM, Wright-Patterson Air Force Base. He was also designated a Joint Specialty Officer.

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# **Defense Institute of Security Assistance Management Online Learning Reaches Out to the Security Cooperation Community**

**By**  
**William Rimpo**  
**Defense Institute of Security Assistance Management**  
**Distance Learning Program Manager**

The Defense Institute of Security Assistance Management's (DISAM's) online learning program began modestly with the roll out of the Security Assistance Management Orientation Course (SAM-OC) and the International Programs Security Requirements-Online (IPSR-OL) courses. Since the initial fielding of these two courses, DISAM's online offerings have greatly expanded to support the security cooperation community. In addition to the two primary courses, DISAM has developed several new products for U.S. Government employees, industry, and the international purchaser. A complete review of all available DISAM courses can be found on our web site: [www.disam.dsca.mil](http://www.disam.dsca.mil). By selecting "Course Catalog/Registration" from the menu, and our online offerings can be found by selecting "On Line Learning."

## **Security Cooperation Officers' Orientation Courses**

DISAM's newest offering is the Security Cooperation Officer's Orientation Course (SCM-OC). The purpose of the SCM-OC courses is to provide interim orientation on security cooperation to DoD personnel on orders to serve in a security cooperation organization (SCO) overseas who are unable to attend DISAM prior to deployment. This course was developed especially for military personnel deploying to security cooperation assignments in Pakistan, Afghanistan, Iraq, and Lebanon ("PAIL" countries) but is also applicable to other countries. DISAM considers this course an orientation in basic security cooperation, logistics, and acquisition in the sense that it is not a substitute for resident instruction at DISAM (normally SCM-O) but does provide minimal "survival" instruction on policies, organizations, responsibilities, and procedures necessary for individuals serving in an SCO. The SCM-OC consists of four separate courses which are available to the student depending on their functional responsibilities:

- SCM-OC (Orientation) is a general overview for those who don't know what their position will be or who need only a basic understanding of security assistance.
- SCM-OL (Logistics) includes core information from the Orientation Course but incorporates additional instruction on the management of DoD logistics.
- SCM-OA (Acquisition) includes core information from the Orientation Course but incorporates additional instruction in the management of foreign military sales (FMS) acquisition and international armaments cooperation.
- SCM-OL/OA (Logistics & Acquisition) includes core information from the Orientation Course, Acquisition, and Logistics. Personnel anticipating responsibilities in both logistics and acquisition should select this option.

## **Security Cooperation Refresher Classes**

The Security Cooperation Refresher Classes are designed for those individuals that have previously attended a DISAM in resident or on-line course and require refresher training in one or more specific

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topics, e.g., logistics, acquisition finance, training management, etc. Students preparing to attend a DISAM resident advanced course would also benefit from a review of the applicable refresher class.

Six topics are covered in the Security Cooperation Refresher Classes. Each topic includes applicable prerequisite basic lessons (such as Introduction to Security Assistance) and one or more core topic lessons. The six topics are:

- Process
- Acquisition
- Logistics
- Finance
- Training
- Security Cooperation

### **Specialized Guides**

Four specialized guides are also available through the DISAM web site:

- The Letter of Request (LOR) Writing Guide provides the international purchaser detailed information on preparing a comprehensive LOR. This guide discusses the pre-LOR planning phase, the elements that should be considered in preparing a well thought out LOR, and an example of a comprehensive LOR. The LOR Writing Guide includes many links to military department (MILDEP) resources and specific sections from the *Security Assistance Management Manual* (SAMM).
- Military Standard Requisition and Issue Procedures (MILSTRIP) for FMS will introduce the student to the standard and unique codes that make up a MILSTRIP document, the common documents used within the U.S. supply system, and how to interpret status documents sent to the customer. A unique feature of the guide is the MILSTRIP Translator. The MILSTRIP Translator takes the codes in selected fields and expands them into their full definitions.
- The International Military Student (IMS) Pre-Departure Briefing was prepared for the training managers in the security cooperation offices to use in briefing the International Military Student prior to departure for training in the U.S.
- The site also includes the Defense Institute for International Legal Studies (DIILS) Human Rights Guide for all interested individuals.

### **Online Support to Residence Courses**

Recognizing the expanding importance of online learning to facilitate education, DISAM now requires students attending the Logistics Support Course (SAM-CS) to complete a prerequisite prior to attending the residence course. The SAM-CS Prerequisite Course is designed to ensure all students have a basic understanding of Security Cooperation and DoD logistics thereby allowing greater focus on advanced logistics topics.

Beginning in August 2009, the International Programs Security Requirements (IPSR) in the SAM-C course will be fulfilled through a combination of in-class instruction and online learning. The online portion of the course must be completed prior to graduation in order for the student to receive the SAM-C and IPSR course certificates.

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For more information concerning the DISAM online courses please contact:

- Mr. Bill Rimpo, 937-255-8187, [william.rimpo@disam.dsca.mil](mailto:william.rimpo@disam.dsca.mil)
- Mr. Rick Rempes, 937-255-3899, [richard.rempes@disam.dsca.mil](mailto:richard.rempes@disam.dsca.mil)



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# **Defense Security Cooperation Agency Memorandum:**

## **Increase to Delivery Term Codes Percentage Rates**

### **June 30, 2009**

[Normally the Defense Institute of Security Assistance Management does not publish Defense Security Cooperation Agency (DSCA) Memoranda since they are all readily available on the DSCA web site at: [www.dsca.mil](http://www.dsca.mil). However, we have made an exception because the transportation rate change is already (as of this printing) in effect for the specific rate areas and Delivery Term Codes and requires maximum visibility to the community.]

#### **Subject**

Increase to Delivery Term Codes (DTCs) Percentage Rates for “Below-the-Line” Transportation on Foreign Military Sales (FMS) and FMS-Like Cases (DSCA Policy 09-22)

#### **Reference**

DSCA Memorandum USP018564-08, “Transportation Charges for Foreign Military Sales (FMS) and FMS-Like Case Shipments (DSCA Policy 08-39),” December 01, 2008 (Rescinded)

The DoD *Financial Management Regulation* (FMR) provides information on computing estimated transportation costs on Letter of Offer and Acceptance (LOA) documents. The normal practice is to use DTCs to compute an estimated “below-the-line” (indirect/accessorial) transportation amount when the Defense Transportation System (DTS) will be used. The selected DTC corresponds to the amount of transportation expected to be provided (e.g., port-to-port, depot-to-in-country destination, etc.), and the rate zone corresponds to the geographic area where articles are being delivered. This resulting estimated cost is collected into the FMS Transportation Account as articles are delivery reported by the implementing agency (IA). Transportation providers then submit bills for actual transportation costs, which are paid from the FMS Transportation Account.

Our referenced memorandum indicated that we were going to review the DTC percentage rates currently being used to compute charges for “below-the-line” estimated transportation charges. The purpose of the review was to determine if the current percentage rates are ensuring collection of sufficient funds into the FMS Transportation Account to pay for billings that are being submitted.

DSCA and the Army conducted an in-depth review and analysis of “below-the-line” estimated transportation charges and their corresponding billings. The first part of our review was completed in March 2009; and the findings revealed DTC 7, zone “b,” and DTC 9, zone “b,” are not collecting adequate funds to cover actual transportation costs being billed. DTC 7 is used for a DoD movement from point of origin to, and including, inland carrier delivery to the specified inland location. DTC 9 is used for a DoD movement from point of origin to, and including, vessel discharge at the point of discharge. Zone “b” includes Newfoundland, Labrador, Thule, Iceland, South America (East and West Coasts), East Asia/Pacific, African ports (other than Mediterranean), and Near East/South Asia (see the *Security Assistance Management Manual*, Table C4.T2 for a list of countries under the regions listed above). In order to ensure the amounts collected into the FMS Transportation Account will be sufficient to cover billings, analysis confirms the percentage rates for DTC 7 and 9, zone “b,” must be increased from 16.25% and 13.25% to 22.25% and 19.25% respectively. To ensure the continued solvency of the FMS Transportation Account, these percentage rate increases are effective with all articles delivered under FMS and FMS-like cases on or after July 15, 2009.

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New cases accepted/implemented after July 15, 2009 must be written using these new rates to estimate transportation costs for any lines that use DTCs 7 or 9, zone “b.” IAs must modify existing cases with DTC 7, zone “b,” or DTC 9, zone “b,” coding to reflect the increased “below-the-line” transportation charges for all articles scheduled to be delivered after July 15, 2009, if sufficient funds are not already available on the case. Priority should be given to USG-funded cases with expiring funds (such as 1206 cases) to ensure sufficient funds are reserved to cover this rate increase. The modification must include a note explaining the basis and amount of change in estimated transportation cost.

I have directed my staff to continue their review of “below-the-line” transportation rates and processes to develop alternatives for improving the accuracy of our estimates. The military departments will play a major role in this second phase of our review, which we anticipate will begin in mid-July. If this group determines that DTCs will continue to be used in the future, they will be tasked to identify a regular schedule for reviewing these rates and publishing updates as required.

While this review is underway, IAs must continue to ensure only transportation-related costs are charged to the FMS Transportation Account. Any costs not covered by the DTC rates must be charged as direct “above-the-line” costs and billed appropriately. Examples of these include costs related to tagging and tracking devices such as Radio Frequency Identification, containers not being returned to the transportation provider, assessment of storage fees for shipments not delivered in a timely manner, additional security requirements, special off-loading expenses, etc. Special Airlift Assignment Mission (SAAM) flights must be charged as “above-the-line” direct costs. These costs are not included in DTC transportation rates and therefore are not billable to the FMS Transportation Account. These cases may require an appropriate pro-rata override of the “below-the-line” percentage rate charge to prevent double billing.

This transportation rate change has been coordinated with the Under Secretary of Defense Comptroller. The DoD *Financial Management Regulation* (FMR), Volume 15, Chapter 7, Table 705-1, will be updated to reflect the revised percentages. We thank you for assisting in our efforts to improve the accuracy of estimated transportation pricing.

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## Security Assistance Accounting's Role in Enterprise Resource Planning

**Editor's Note:** We at the Defense Institute of Security Assistance Management wish to congratulate Sam Graham, the outgoing Director of Security Assistance Accounting Operations, on his selection as the new Director of Accounting Operations, Indianapolis Center. Sam has been instrumental in the transition of security assistance from Defense Finance and Accounting Service (DFAS) Denver Center to DFAS Indianapolis over the last year. He has truly been a friend of the community, and we especially appreciate his support of the DISAM mission—"Fair winds and following seas."

[The following article is compliments of the *DFAS-Indianapolis Center Security Assistance Accounting News Update*, July 2009.]

### What is an Enterprise Resource Planning?

An Enterprise Resource Planning (ERP) is a company-wide computer system for managing all the resources, information, and functions a business performs. An ERP normally covers all business aspects like logistics, acquisition, finance, and accounting for an organization or business area. An ERP is more than just an accounting system replacement.

### Now that we know what an ERP is, how does it relate to Security Assistance Accounting?

Well, this is an exciting and challenging time for Security Assistance Accounting (SAA) systems development. SAA is involved in all aspects of the future development and transition for our business into the future ERPs within the DoD. This is our opportunity to reshape, improve, and redefine foreign military sales (FMS) business processes and modernize our systems environment. We are truly charting a new course for FMS finance and accounting.

SAA's role in assisting with the new development includes gaining an understanding of FMS finance and accounting within DFAS, identifying weaknesses within our current processes and systems, leading projects identified to improve system issues, and redefining our business processes. SAA directly coordinates and interacts with the ERP Program Management Offices (PMO) and attends ERP workshops, teleconferences, and webinars representing DFAS Security Assistance Finance and Accounting Operations.

Our scope for involvement with the ERPs covers all areas within finance and accounting for SAA/FMS in DoD. Below is a list of the major on-going ERP initiatives SAA is involved with on a regular basis and some of the systems the ERPs will be replacing:

- Security Cooperation Enterprise Solution (SCES) replaces:
  - FMS acquisition
  - Logistics
- Financial functions from:
  - Centralized Information System for International Logistics (CISIL)
  - Management Information System for International Logistics (MISIL)

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- Case Management Control System (CMCS)
  - Defense Integrated Financial System (DIFS)
  - Defense Enterprise Accounting and Management System (DEAMS) replaces finance and accounting functions of GAFS (General Accounting and Finance System)
  - General Funds Enterprise Business System (GFEBs) replaces finance and accounting functions of Standard Financial System (STANFINS) and (Standard Operation and Maintenance Army Research and Development System (SOMARDS)
  - Navy Enterprise Resource Planning (NAVY ERP) replaces finance and accounting functions for STARS (Standard Accounting and Reporting System). For Navy FMS, only the FMS administrative fund accounting will be in Navy ERP. FMS case fund accounting is in MISIL
  - Defense Agency Initiative (DAI) replaces finance and accounting functions for various Defense Agencies like Washington Headquarters Services Allotment Accounting Services (WAAS)
  - Strategic Disbursing Initiative (SDI) centralizes disbursing functions from SRD1, CDS, and Data Distribution Service (DDS)
  - Air Force — Training Control Financial System (TFS) to GAFS-BQ (General Accounting and Finance System Base Level) Conversion

In preparation for converting from a manual system to the current Air Force base-level accounting system, the Air Force Accounting Branch in Security Assistance Accounting is scheduled to convert from the Training Control System (TRACS) Financial System (TFS) to the General Accounting and Finance System Base Level (GAFS-BQ) in October 2009. This will realign the Air Force Security Assistance Training (AFSAT) accounting system with the rest of the Air Force network as we are currently utilizing a stand-alone system. TFS is a manually-driven system as most processes other than the automated tuition billing must be keypunched to update the system. GAFS-BQ will automate some of these processes. As an example, 65 to 70 percent of the Transaction-By-Others (TBOs) workload will become for-self payments and automatically update the expenditure within GAFS-BQ without any manual intervention.

**We are currently in phase three of testing.**

The status of funds balances were compared between each system as this is the most critical process of the conversion as BID balances (C - Commitment, O - Obligation, U - Unpaid Expenditures, E - Expenditures, etc.) in TFS must match the data in GAFS-BQ for integrity of the database conversion.

The automated Performing Appropriation Reimbursable (PAR) billings for tuition processed over 3,000 records in the last testing phase. A normal PAR processes between 12,000 and 15,000 billing records in a monthly cycle.

GAFS-BQ will benefit our customers as automation will eliminate manual processes, reduce rework, speed up processing times, and align our accounting system with future system development under the Defense Enterprise Accounting and Management System (DEAMS).

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## **Army ERP — GFEBS**

GFEBS is being released in stages. Release 1.1 took place in July 2006 and consisted of a technology demonstration of a minor construction project within the system. Release 1.2 took place in October 2008 at Fort Jackson and Garrison in South Carolina. In April 2009, GFEBS deployed Release 1.3 to multiple organizations. Release 1.3 includes additional functionality to provide general fund financial management capabilities at all Army garrisons and tenant organizations currently using Standard Finance System (STANFINS). Concurrently with Releases 1.2 and 1.3, the GFEBS Project is working on 1.4. Release 1.4 will deploy GFEBS to several locations to include Indianapolis DFAS Security Assistance Accounting (SAA) Army and Security Assistance Training Field Activity (SATFA) in April 2010. GFEBS, SATFA, and DFAS Indianapolis SAA are currently working functionally for the Foreign Military Training community.

Once fully implemented, GFEBS will serve as the first-rate tool for conducting financial and asset management operations between DFAS and the Army, enabling more efficient business processes and allowing more time for business analysis.

### **Navy Status of STARS to MISIL Conversion**

Testing of the Standard Accounting and Reporting System (STARS) to Management Information System for International Logistics (MISIL) conversion is in the sixth phase. The Mock Load # 6 database was established between June 8th and 10th, using May's end of month STARS data. This testing was completed by August 5th.

Testing of the load, reconciliation, and report creation within MISIL will take place between June 10th and 22nd.

Defense Security Assistance Development Center (DSADC) tested the application changes between June 22nd and July 2nd, 2009. The Systems Command (SYSCOM) will receive the summary reports and error messages issued by DSADC during the test period.

SYSCOM performed independent testing of the STARS to MISIL interfaces in the month of July 2009.

There are currently 1,692 cases in STARS that will be converted to MISIL. 498 of these are in an interim closed status. The project is on track for completion in October 2009 through the joint efforts of DFAS and Navy SYSCOM.

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## ***Security Assistance Management Manual Tips***

[The following are *Security Assistance Management Manual* (SAMM) tips provided by Defense Security Cooperation Agency (DSCA). For questions or further information on these topics, please contact DSCA Policy Division, Strategy Directorate. The SAMM is available at [www.dsca.mil/samm](http://www.dsca.mil/samm).]

### **Military Assistance Programs Address Directory**

The *Military Assistance Programs Address Directory* (MAPAD), DoD 4000.25-8-M, contains information and addresses required for shipment of material and distribution of related documentation under foreign military sales (FMS) and other security cooperation programs. The MAPAD includes ship-to addresses for material, including freight forwarders, country representatives, and recipients in-country; addresses for notices of availability; addresses for supply and shipment status; and mark-for addresses for in-country destinations and/or consignees. Current MAPAD addresses are essential to correct routing of cargo and documentation. For FMS, the purchaser has responsibility for ensuring the MAPAD addresses are correct. This information is also available in Chapter 7 of the SAMM.

### **Congressional Notification Requirements**

Case and program data must be characterized accurately and comprehensively to ensure that Congress is presented a detailed description of any case or program that meets Congressional notification thresholds. (SAMM paragraph C5.6.3.) Case value may not be kept artificially low to avoid notification, nor may multiple Letters of Offer and Acceptance (LOAs) at below-threshold values be used to avoid notification. Multiple LOAs being submitted as part of a discrete purchase for a particular system or program shall be subject to Congressional notification if their combined value meets Congressional notification thresholds.

### **Foreign Military Sales Purchaser Involvement**

The purchaser should be involved early in the LOA development process to ensure requirements are clear and understood prior to offering the case for acceptance. The implementation agency should provide sufficient details in the LOA to allow U.S. contracting officers to negotiate and award contracts without requiring foreign country representation or direct involvement in the formal negotiation process. However, if the purchaser wishes to participate, the provisions of the *Defense Federal Acquisition Regulation Supplement* 225.7304(b) apply. The degree of participation of the purchaser during contract negotiations is at the discretion of the U.S. contracting officer after consultation with the contractor. SAMM Chapter 6, paragraphs C6.3.5., C6.3.5.1., and C6.3.5.2. provide additional details.

### **Sole Source Requests**

The competitive procurement process is used to the maximum extent possible when procuring articles or services. Sole source procurement can be considered when the purchaser requests it in writing, usually in their Letter of Request (LOR), and provides sufficient rationale. Table C6.T2. contains a list (not all inclusive) of possible justifications. The designation of sole source procurement for an LOA that has already been accepted by the purchaser requires an exception to policy and either an amendment or a modification depending on the requester. Sole source requests are considered only when based on the objective needs of the purchaser. Requests that discriminate against or exclude



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sources are not considered. SAMM Chapter 6, paragraphs C6.3.4., C6.3.4.1., C6.3.4.2, and C6.3.4.3. provide additional details.

### **Commercial Buying Service (CBS)**

Per SAMM Chapter 6, Paragraph C6.4.5., the International Logistics Control Offices (ILCOs) located in Philadelphia, Pennsylvania (Navy); New Cumberland, Pennsylvania (Army); and Wright-Patterson Air Force Base (Air Force) are authorized to use a CBS to support FMS purchaser requirements for nonstandard and difficult to support standard items when DoD organic capability or contractual supportability is not available or timely. Existing CBS options include Parts and Repair Ordering System (PROS), which is managed by the Air Force, and Simplified Non-Standard Acquisition Process (SNAP), which is managed by Army; however, both CBS options are available to the three military departments. Purchasers must have a valid FMS case with sufficient funds in order to use these options.

### **Insurance**

Purchasers shall self-insure FMS shipments or obtain commercial insurance without any right of claim against the United States. When requested by the purchaser, the Implementing Agency may obtain insurance and include it as a separate LOA line item. For FMS cases already implemented, an amendment can add authorized insurance coverage. Whenever an implementing agency provides these services to a purchasing country or organization, it should obtain insurance from a U.S. insurance firm if possible. See SAMM Chapter C4.5.15. for additional information on insurance.

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